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DRAFT FIVE YEAR PLAN 1978-83.

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THE PLAN IN OUTLINE

I

REVIEW

Thirty years after independence, twenty-seven since we set out, with the First Five Year Plan "to translate....the goals of social and economic policy prescribed in the Directive Principles of the Constitution....into a national programme based upon the assessment of needs and resources." It is clearly time to take stock of how far we have come towards attaining these goals, to note the achievements and the shortcomings, so that we may better chart the course of the nation's future development.

1.2 It is a cause of legitimate national pride that over this period a stagnant and dependent economy has been modernised and made more self-reliant. A modest rate of growth of per capita income has been maintained despite the growth of population. On the other hand, the numbers of unemployed and under-employed are still very high and more than 40 per cent of the population lives below the poverty line.

1.3 Agricultural output has risen throughout this period, though slowly. While the production of food-grains has increased to levels which make us virtually self-sufficient at our current low levels of per capita consumption, in two key cash crops, oil seeds and occasionally cotton, we continue to rely to a significant degree on imports. Though the area under irrigation has doubled in the period of planning, we are far short of developing the full potential. Yields generally have grown slowly, despite the dramatic increase in the productivity of wheat in the sixties; per capita agricultural production has remained stagnant. This has proved to be a constraint on the pace of general economic development, and fluctuations in agricultural output have often led to unplanned outbacks in public investment and bouts of inflation, both of which had a depressing effect on growth.

1.4 A major achievement has been the diversification and expansion of India's industrial capability with the public sector playing a leading role. The country is self-sufficient in all consumer goods and in basic commodities like steel and cement, while the capacity of other industries like fertilisers is rapidly expanding. The growth of capital goods production has been particularly impressive, and India can now sustain the likely growth of most of her industries, whether textiles,

food processing or cement or chemical, metallurgical and engineering industries, power or transport, by the domestic production of the capital goods needed with only marginal imports.

However, this pace of industrialisation has not been bought cheaply. The concentration of economic power has increased, in the sense that, within the corporate sector, the assets of bigger corporations have increased more rapidly. The expansion of large scale industries has failed to absorb a significant proportion of the increment to the labour force, and led in some cases to a loss of income for the rural poor engaged in cottage industries like textiles, leather, pottery etc.

1.5 The development of productive capacity has also been marked in the area of energy sources. The output of India's primary fuel source - coal - has been expanded more than three-fold and much of the industry has been modernised. The intensive search for oil and gas, launched in the late fifties, has achieved notable success both on and off shore. An efficient complex of refineries, pipelines, storage and distribution has been developed and the country is moving into the petro-chemicals age. A large infrastructure has been built to sustain this sub-continental economy : the network of irrigation storage works and canals, hydro and thermal power generation, regional power grids, a largely electrified and dieselised railway system, national and state highways on which a rapidly growing road transport fleet can operate and a telecommunications system covering most urban centres and linking India with the world.

1.6 The development of agriculture and modern industry has stimulated the growth of banking, insurance and commerce, and required the matching expansion and modernisation of ports, shipping and internal and external air services. However, the major beneficiaries especially of the banking system, have been the wealthier part of the population, both in urban and rural areas, and the vast majority have barely been touched.

1.7 India's foreign trade has expanded rapidly in recent years, the commodity composition of her exports having changed with emphasis on manufactures and mineral ores. Of late the inflow of remittances has also been very high. Because of these factors and the substantial

measure of import substitution that has been attained, our foreign exchange situation has improved to a stage where it is not a major constraint on development. However, the successes in import substitution and export promotion were achieved in some cases at an unduly high cost.

1.8 The pattern of industrial development that has emerged obviously reflects the structure of effective demand, which is determined by the distribution of incomes. An unduly large share of resources is thus absorbed in production which relates directly or indirectly to maintaining or improving the living standards of the higher income groups. The demand of this relatively small class, not only for a few visible items of conspicuous consumption but for the outlay on high quality housing and urban amenities, aviation and superior travel facilities, telephone services, and so on sustains a large part of the existing industrial structure. This means that the further expansion of industry is limited by the narrowness of the market. As a result, further import substitution of consumer goods or capital goods cannot, at the current level of demand, afford any great impetus for continued industrial growth.

1.9 Significant results have been achieved in agricultural research, and Indian scientists and technologists are working in many areas on the frontiers of today's knowledge, as in the development of nuclear power and the use of space technology for communications and resource development. For further industrial and scientific advance, with growing competence in adaptive research and development, we need only a selective import of technology. It is not clear, however, that all the areas of research have the social and economic relevance that would justify the application of our limited resources to these fields. Small and cottage industries and other rural activities have not received the research and development support that they required. The expansion of output of scientists, engineers and technicians has been rapid since the late fifties; supply has actually outstripped the domestic demand for some categories of trained personnel.

1.10 The average life expectancy of the Indian people rose from 32 years in the forties to around 46 years in the sixties owing to the extinction of small-pox and reduction in the incidence of malaria and cholera as well as a marked fall in infant mortality. However, the level of malnutrition is still very high and not enough has been done by way of protected water supply and sanitation

in rural areas to provide protection against water-borne diseases.

1.11 The enrolment of students at the elementary level has risen from 32 per cent to 69 per cent and at secondary level from 5 per cent to 25 per cent of the relevant age-groups in the period of planning. But we have still to attain the goal of universal primary education which the Constitution had enjoined should be done within ten years. The number of drop-outs is very high indeed, reflecting economic pressures and the rural poor's view of the relevance of the education given to their children. The degree of adult illiteracy continues to be massive; the present estimate being that over 200 million of the adult population is unlettered. The enrolment at the stage of higher education, which rose from 416,000 a year in 1950-51 to over 3 million currently, has led to a high degree of wastage and the growing unemployment of graduates.

1.12 Much of the benefits from infrastructure have accrued largely to the relatively affluent. Our pattern of investment, particularly in the provision of social infrastructure, has been biased in favour of urban areas. Thus, though the output of doctors is numerically adequate and the urban well-to-do have reasonable hospitals to go to, the rural areas continue to be poorly served in respect of access to medical services. Many areas of the country remain backward and regional disparities in agricultural development have increased. Many segments of the population, like the scheduled castes and tribes, have not shared fully in the benefits of growth.

1.13 This assessment of India's economic development over a quarter of a century of planning has indicated some fundamental failures and it is on account of these that the need has arisen for a re-appraisal of the development strategy. We must face the fact that the most important objectives of planning have not been achieved, the most cherished goals seem to be almost as distant today as when we set out on the road to planned development. These aims - implicit in all our plans, but more explicitly stated in the later formulations of our development strategy - are universally accepted by the Indian people: they are the achievement of full employment, the eradication of poverty and the creation of a more equal society.

II

UNEMPLOYMENT, POVERTY AND INEQUALITY

2.1 Unemployment, poverty and inequality are related phenomena, so that any success in solving one of these problems would imply some success in solving the others.

2.2 Conceptual difficulties in estimating unemployment have stood in the way of an adequate appreciation of the problem and hindered the evolution of appropriate remedies. The quantitative estimates of the backlog of unemployment and of employment potential indicated in the Second and Third Plans were misleading. As a result no specific targets for reducing unemployment were spelt out in the Fourth or Fifth Plan. The hope expressed in the revised Fifth Plan that increments to the labour force could be absorbed in gainful employment within the plan period has clearly not been realised.

2.3 Unemployment in the Indian situation takes different forms. There are those who are chronically unemployed and those who can find employment at some times but not at others. The first category of unemployment can be measured in terms of the number of persons wholly unemployed, which was estimated to have been around 4 million persons in 1973. The second category of unemployment better measured in terms of man-days, was equivalent to 18.6 million persons being unemployed on a typical day.*

2.4 Between 1971 and 1978, when the labour force increased by 35 million, non-agricultural activities absorbed only 9 million, about half in the organised sector and half in the informal sector. The general pattern of man-power deployment in the country is that only 10 to 11 per cent of the increase in the labour force finds employment in the organised sector, while the rest drifts into part-time employment in the rural areas or the informal sector of urban industry and trade, or becomes chronically unemployed. This lack of employment obviously reflects the waste of a potentially productive resource.

2.5 Less than full employment of the rural labour force is attributable not only to seasonal employment of farm labour, and chronic under-employment of the

* See Volume II Chapter 3

landless in areas of high population pressure, (aggravated by the uneven distribution of water resources, varying holding sizes and tenurial conditions) but also to the progressive displacement of craftsmen and artisans by competitive modern industry. Urban unemployment, likewise covers not only workers laid off by declining industries, new entrants to the labour force and migrant workers from surrounding rural areas, but a whole mass of self-employed persons and casual workers in the "informal sector" eking out a precarious livelihood. Both rural and urban poverty are identifiable with low productivity, low wages, and intermittent employment, as well as chronic lack of work. Thus, the solution to the problem of under-employment is not to be seen in terms of creating so many million specific "jobs" in five or ten years. The task is to create through development additional employment opportunities to match, as closely as possible, with the location, skills and idle time of the unemployed. In doing so, planning has to take into account uneven regional development and the constraints on the mobility of labour, whether economic or social.

2.6 The concept of poverty is somewhat wider and includes not merely those who are unemployed and poor but also those who, fully or partly employed, earn very little because of low productivity or low wages. Attempts have been made to measure the extent of poverty in India, and depending on the norms used, the 40 - 60% of the population fall below the minimum acceptable standard. According to a recent estimate using norms of calorie consumption, the percentage of population below the poverty line in 1977-78 may be projected at 48% in rural areas and 41% in urban areas. The total number of the poor, so defined, would be about 290 million. About 160 million of these fall below 75% of the poverty line.* Though these estimates are debatable, and the trends in the incidence of poverty in recent years are not clear, it cannot be doubted that we have a long way to go to ensure a tolerable standard of living for the large numbers of the poor and the destitute.

2.7 The prevalence of patterns of poverty and inequality, virtually unchanged over the years, can be seen most clearly in the conditions of life of the two most disadvantaged groups in our society, the Scheduled Castes and the Scheduled Tribes. The social disabilities from which large numbers of Harijans continue to suffer in many parts of the country are in a large part connected with their economic status and the lack of bargaining power which marks their role as landless

* See Volume II Chapter 1

agricultural workers in a situation of overall labour surplus. For 'development' to have some meaning, the living standards of these two groups, and their economic and social status must be seen to have risen significantly: so far they have been only marginally involved in the process of development.

2.8 Trends in the distribution of income and wealth are difficult to discern, but the evidence of persistence of gross inequalities is clear. Analysis of consumption expenditure* shows that in 1973-74 the lowest 20% accounted for 9.5% of total consumption in rural areas while the highest 20% accounted for 38%. For urban areas the corresponding figures were 9.2% and 40%. The concentration ratios for the two distributions were 0.27 and 0.30. The inequality of incomes for both groups would be greater than consumption inequalities.

The distribution of assets has recently been surveyed comprehensively.** The results for urban households have not yet been published. But for rural households it shows that 20% of households, each having less than Rs.1000 of assets, account for less than 1% of all rural assets, while 4% with asset-values of Rs.50,000 or more own over 30%.

* National Sample Survey. - 28th Round.

** All India Debt and Investment Survey 1971-72 (RBI).

III

A NEW DEVELOPMENT STRATEGY

3.1 An effective strategy for development requires that:

- (a) The objectives to be achieved are clearly formulated, and where there are multiple objectives, they are ranked in order of importance; and if objectives conflict, the trade-off between them should be determined.
- (b) resource allocations are made to sub-serve the priorities indicated by the objectives, and these allocations are backed by appropriate economic and social policies.
- (c) the selected strategy is pursued consistently over a period of time sufficient to establish its success or failure.

3.2 In the next phase of development it will no longer be appropriate, in the light of our past experience to formulate the principal objectives of a particular plan period merely in relation to a specified target of growth for the economy. What matters is not the precise rate of increase in the national product that is achieved in five or ten years, but whether we can ensure within a specified time-frame a measurable increase in the welfare of the millions of the poor.

3.3 It is proposed, therefore, that the principal objectives of planning should now be defined as achieving within a period of ten years:

- (i) the removal of unemployment and significant under-employment;
- (ii) an appreciable rise in the standard of living of the poorest sections of the population;
- (iii) provision by the State of some of the basic needs of the people in these income groups, like clean drinking water, adult literacy, elementary education, health care, rural roads, rural housing for the landless and minimum services for the urban slums.

This Plan aims at considerable progress towards achieving these goals.

These primary objectives should be attained while

- (iv) achieving a higher rate of growth of the economy than in the past;
- (v) moving towards a significant reduction in the present disparities of incomes and wealth; and
- (vi) ensuring the country's continued progress towards self-reliance.

Agriculture

3.4 The employment objective depends crucially on increased labour absorption in agriculture and allied activities. This means increasing the productivity of available land through irrigation, multiple cropping and improved technology. The main thrust of the planning strategy, therefore, would be to expand the area under irrigation as rapidly as may be possible, and to develop cropping patterns and agricultural practices which optimise the use of land and water resources. Detailed agricultural plans would need to be drawn by regions and sub-regions, based on the full exploitation of the water resources in the command areas of irrigation projects, and on the principle of water conservation and management in rainfed areas, which would enable us to break out of the constricting historical trend rate of growth of around 2% per annum. Fortunately the agricultural development potential today is greater than at any time in the past, in terms of availability of improved seed, modern cultural practices, applicable research results and farmers' awareness of and access to all physical inputs and credit. The new plan would provide for massive investments in expanding the rural infrastructure, covering not only irrigation and supply of seed and fertiliser but also expansion of credit, storage and marketing.

3.5 To maximise employment in agriculture it is necessary not only to provide for the infrastructure and inputs which will increase physical productivity, but also (i) to push forward the implementation of land re-distribution programmes and schemes for the consolidation of holdings; and (ii) to regulate the growth of farm mechanisation to ensure maximum labour use consistent with optimum land and water utilisation.

3.6 Improved productivity and employment intensity can be achieved not merely in the production of cereals and cash crops but in animal husbandry, horticulture forestry and fisheries, where the scope for expansion is even higher.

3.7 A marked increase in agricultural employment should lead to significant growth in secondary employment in rural areas in distribution and transport, and in tertiary employment in other economic activity, generated by the growth in rural income.

Cottage & Small Scale Industries

3.8 After agriculture, household and small-scale industries producing consumer goods for mass consumption hold out the greatest potential for employment. This is a sector which has received inadequate attention in earlier plans. The planning strategy would aim at protection of the existing livelihood of rural artisans and a substantial increase in the employment content of the rural industrial sector. It would seek to improve the quality of production, increase productivity, reduce costs and expand the market.

3.9 Some rural industries like handlooms and handicrafts, can be viable, and even competitive in export markets, given organisation, credit-supply, small improvements in techniques, design and marketing assistance. The output and employment of these industries can be substantially expanded. The employment in a number of other rural trades can be stabilised or expanded.

3.10 The share of the small-scale sector, excluding household industries, fell from 19.5% of the income arising from all industrial production in 1968 to 16% in 1976. This trend has to be arrested and reversed by a vigorous programme of promotion of small industries.

Area Planning for Integrated Rural Development:

3.11 To achieve the employment objectives of this Plan, development programmes have to be made area-specific to a much greater extent than in the past. Area Planning implies close identification of activities suitable to a particular area and capable of absorbing local labour surpluses. Area planning also implies a much more intimate involvement of the people whom it is hoped to benefit, both in the formulation and in the implementation of development Plans.

3.12 Some major investments which have regional implications, like large-scale irrigation, power and transport must necessarily remain outside the scope of planning for limited areas. But the bulk of investments on agriculture, minor irrigation, animal husbandry, fishing, forestry, marketing or processing, cottage and small industries, and local infrastructure and social services including water supply, housing, health, education, sanitation, local transport, etc., are clearly amenable to planning at the local level. Whether the appropriate planning level is the District, Taluka, Development Block or a cluster of villages requires further consideration; it is possible that there should be a hierarchy of planning decisions at the different levels. The most appropriate unit for employment planning, with emphasis on agricultural productivity would be the Development Block. The preparation of such plans will require an inventory of resources and skills and knowledge about the nature of unemployment in the area. The plans should identify projects and programmes for realising the development potential, and cover the location of centres for the supply of economic and social services.

Provision of Minimum Needs

3.13 Given the difficulty of raising the incomes of the lowest income classes adequately to ensure minimum consumption standards, it is necessary to supplement the outlay on general economic development through sectoral programmes by a specific programmes of direct transfers of basic services to the target population group. This, and the economic and social policies required to alleviate poverty and reduce inequalities, are dealt with in a later section.

IV THE PLAN FRAMEWORK

4.1 The quantitative framework upon which this plan is based is a consistency model i.e. a description of the economy in terms of a set of relationships between different sectors, between income and consumption between production and employment etc. Such models have also been the basis for earlier plans. The special features of the present planning model are related to the proposed objectives and development strategy. In building the model particular attention was paid to the analysis of production possibilities and input requirements in agriculture. The employment objective was reflected in the special treatment of certain labour intensive village and small industry sectors and the detailed calculations of employment generation. The requirements of goods for consumption were estimated separately for rural and urban areas, and for the poor and non poor, so that the implications of the development strategy for production planning are fully taken into account. The requirements of goods for investment allowed for the new pattern of investment outlays.

4.2 The overall plan size projected for 1982-83 is Rs. 116,240 crores. Of this the public sector outlay is Rs. 69,380 crores.

Sectoral Growth

4.3 The following table indicates the sectoral composition of gross value added in 1977-78 and 1982-83 and the percentage growth by sectors projected over this period.

TABLE 1

SECTORAL GROWTH PATTERN: 77-78 to 82-83

| Sl. No. | Sector | Share in Value added | | Growth rates % | |
|---------|-----------------|----------------------|---------|----------------|--------|
| | | 1977-78 | 1982-83 | Value added | Output |
| 0 | 1 | 2 | 3 | 4 | 5 |
| 1. | Agriculture | 42.50 | 33.71 | 2.76 | 3.98 |
| 2. | Mining & Manuf. | 18.47 | 18.76 | 5.03 | 6.92 |
| 3. | Electricity | 1.71 | 2.14 | 9.55 | 10.80 |
| 4. | Construction | 5.74 | 7.64 | 10.09 | 10.55 |
| 5. | Transport | 14.97 | 4.96 | 4.65 | 6.24 |
| 6. | Services | 26.61 | 27.79 | 5.61 | 6.01 |

4.4 The table below indicates the planned outputs of certain important items in the Plan.

TABLE - 2

OUTPUT PROJECTIONS OF PRINCIPAL COMMODITIES - 1982-83

| S.No. | Item | Unit | 1977-78 | 1982-83 |
|-------|-------------------------------------|------------------------------|---------|------------------|
| 1. | Foodgrains | Mill. Tonnes | 121.00 | 140.48 to 144.48 |
| 2. | Sugarcane | Mill. Tonnes | 156.90 | 188.00 |
| 3. | Cotton | Lakh bales (170 Kg. each) | 64.30 | 81.50 to 92.50 |
| 4. | Oilseeds (major) | Lakh tonnes | 92.00 | 112.00 to 115.00 |
| 5. | Coal | Mill. Tonnes | 103.20 | 149.00 |
| 6. | Crude Petroleum | Mill. Tonnes | 10.77 | 18.00 |
| 7. | Cloth-Mill Sector | Mill. Mtrs. | 4200.00 | 4600.00 |
| | -Decentralised Sector | " | 5400.00 | 7600.00 |
| 8. | Nitrogenous Fertilisers (N) | Th. Tonnes | 2060.00 | 4100.00 |
| 9. | Phosphatic Fertilisers (P_2O_5) | Th. Tonnes | 660.00 | 1125.00 |
| 10. | Paper & Paper Boards | Th. Tonnes | 900.00 | 1250.00 |
| 11. | Cement | Mill. Tonnes | 19.20 | 29.00 to 30.00 |
| 12. | Mild Steel | Mill. Tonnes | 7.73 | 11.80 |
| 13. | Aluminium | Th. Tonnes | 180.00 | 300.00 |
| 14. | Commercial Vehicles | Th. Numbers | 40.00 | 65.00 |
| 15. | Electricity Generation | G.W.H. | 100.00 | 167.00 |

4.5 At the time of formulating a Five Year Plan, controversy tends to centre around two magnitudes: the growth rate postulated for the economy as a whole, and the proposed size of the public sector outlay.

Rate of Growth:

4.6 The overall growth rate projected in the Plan is 4.7 per cent per annum. This may seem low in relation to targets of 5 to 7 per cent projected in earlier plans, though the actual achievement has varied between 3.2 per cent and 3.8 per cent. The main reasons why planned rates could not be achieved were (a) over-

optimistic assumptions regarding agricultural productivity, (b) under-estimation of the time required to build and commission major irrigation and power projects and large scale industries, (c) over-estimation of efficiency of operating and hence the output and return from investments in all sectors; and (d) economic crisis caused by shortage of foreign exchange or by inflation.

4.6 The growth rate of 4.7 per cent emerges as the result of two considerations which have guided the Commission. First that the pattern of investment and therefore of income generation in the Plan should be such as to redistribute incomes in favour of the poor. Secondly, the physical targets both for agriculture and for industry should be projected with a greater degree of realism than in the past.

4.7 It has generally come to be realised that the concept of growth rate as a measure of economic development has considerable limitations. The rate of growth measures the expansion of the size of the economy over a particular period but not necessarily its development potential for the future. Nor does it measure the welfare of the masses of the people, since it is unrelated to the distribution of the national income as between different classes. Other criteria may thus have to be adopted for the measurement of welfare. While it is true that a more rapid expansion of the economy will generally make it easier to increase the welfare of the poor, it is not necessary that the allocation of resources required to reach the highest achievable rate of growth of the economy at any point of time will be optimal from the point of view of the desired distribution of incomes. Thus a lower overall growth rate with more employment may be preferable to the theoretically highest achievable growth rate.

4.8 In most of our plans a shortfall in domestic savings has led either to unplanned cutbacks in investment or to inflation. The Plan for the next five years involves a substantial enhancement of incomes in the hands of the poor. If these incomes are not to be eroded by price increases, it is essential that the plan be formulated on the basis of realistic assumptions about savings. The rate of gross savings (excluding assets created by own account labour) is estimated to be 19.8% in 1977-78. This plan has been formulated on the promise that this savings rate will rise to 23.4% by 1982-83. The most important component - household savings - is assumed to increase from 16.4 percent of the disposable household income in 1977-78 to 17.4 percent in 1982-83. It is necessary to note here, however, that if as a result of the distributive measures contemplated in the Plan, the savings propensity goes down, steps will have to be taken

to enhance it. Public savings should increase from 30 per cent of public sector income to 41 per cent. The postulated increase in domestic savings is attainable, but only if vigorous policies are followed to restrain inessential consumption. In the opinion of the Commission it will not be realistic to assume an increase in the rate of domestic savings of any higher order.

4.9 A large part of the increased production of foodgrains and cash crops in the first three plan periods was due to the extension of the area of cultivation. The scope for further extension has been limited since the sixties, largely to the expansion of irrigation coverage whereby multiple cropping can be increased. All other increases in output must come from improvement of yields. Except in the case of wheat, there has been no really dramatic increase in yields in Indian agriculture, and the further growth in wheat production will be much slower than in the immediate past. Taking the historical trend, the growth rate of foodgrains production was 1.85 per cent per annum in the period 1967 to 1977 which appears to be significantly lower than in the earlier period. Overall the rate of growth in agricultural output has been 2.13 per cent per annum in the period 1967-77. The new plan aims at a growth of around 4 percent per annum in agricultural output between 1978 and 1983. This assumes, besides improved yields, an increase of cropping intensity from 1.22 to 1.26 largely as a result of addition of about 17 million hectares in the irrigation potential. The rate of growth in the industrial sector, which has averaged only 4.3 percent per annum in the recent past, is projected in the Plan to grow at around 7 percent. This has been estimated on the basis of the quantitative model by checking the projections against industry-wise calculations of demand capacity and production for all major industries.

4.10 If the rate of increase in agricultural production can be sustained at a higher level than 4 percent compound, if the time for construction and commissioning of irrigation and power projects can be reduced, and if the capacity utilisation in both the consumer and capital goods sectors can be quickly increased, it may be possible for the economy to achieve a higher growth rate than the 4.7 percent per annum assumed for the next five years. Further it is expected that after a period of transition to the new investment priorities, the development strategy will generate a higher growth potential, so that the average rate of growth in the period 1983-88 assumed in the perspective at 5.5 percent per annum, could also be exceeded.

4.11 Corresponding to the growth rate of 5.5 percent per annum in the period 1983-88, the principal production

targets adopted for determining sectoral programmes are:

TABLE 3

SELECTED PRODUCTION TARGETS FOR 1987-88

| Sl. No. | Head | 1987-88 |
|---------|------------------------------|--------------|
| 0 | 1 | 2 |
| 1. | Foodgrains | 164-169 m.t. |
| 2. | Sugarcane | 225 m.t. |
| 3. | Oilseeds (major) | 136 lakh t. |
| 4. | Coal | 202 m.t. |
| 5. | Nitrogenous Fertiliser (I) | 670 th t. |
| 6. | Mild Steel (Domestic Demand) | 154 m.t. |
| 7. | Electricity Generation | 265 G.W.H. |

Financing the Plan

4.12 The Plan as a whole is proposed to be financed as below:

TABLE 4

RESOURCES FOR THE FIVE YEAR PLAN 1978-83

| Sl. No. | Head | Amount |
|---------|--|---------------|
| 0 | 1 | 2 |
| | | (Rs. crores)* |
| 1. | Public sector savings | 27,445 |
| 2. | Savings by financial institutions | 1,970 |
| 3. | Savings of the private corporate sector | 9,075 |
| 4. | Household savings ** | 62,765 |
| 5. | Net inflow from | |
| | (a) External assistance | 3,955 |
| | (b) Drawing on foreign exchange reserves | 1,180 |
| 6. | Budgetary provision for current development outlay | 10,250 |
| | Total | 116,240 |

* All figures rounded off to nearest 5 crores

** Excluding assets created by family labour

4.13 Exports are estimated to rise from about Rs. 5146 crores in 1976-77 to Rs. 7750 crores in 1982-83. Imports are planned to increase from Rs. 5076 crores to Rs. 10,500 crores. After allowing for a likely deceleration in the inflow of remittances within the Plan period, the balance

of payments projections for the Plan are as below:

(Rs. crores)*

Trade

| | | |
|------------------|---------------|-----------|
| Exports | 34,000 | |
| Imports | <u>42,825</u> | |
| Balance of trade | | (-) 8,825 |

Invisibles

| | | |
|----------------|--------------|-----------|
| Services (Net) | 3,460 | |
| | <u>2,015</u> | |
| | | (+) 5,475 |

Debt Service

| | | |
|-------------------------------|--------------|-----------|
| Interest (-) | 1,510 | |
| Repayment(-) | <u>2,920</u> | |
| | | (-) 4,430 |
| Assistance to other countries | | (-) 350 |
| Other transactions | | (-) 1,070 |

* All figures rounded off to nearest 5 crores.

On this basis the gap in the balance of payments works out to Rs. 9,200 crores. It is expected that the gross inflow of aid over the Plan period will be about Rs. 8020 crores. Higher levels of aid do not seem to be either feasible or desirable. The remaining gap of about Rs. 1180 crores would be bridged by drawing down the country's foreign exchange reserves, which would be above Rs. 4000 crores at the beginning of the Plan. The net inflow of external resources (including the use of reserves) would be less than 5 percent of the Plan outlay.

V

PUBLIC SECTOR OUTLAY

5.1 The public sector outlay proposed is Rs. 69,380 crores. This represents 59.7% of the total plan outlay, and is proposed to be financed in the following manner:-

(Rs. crores)*

| | |
|--|--------|
| 1. Central and State government resources at 1977-78 rates of taxation | 12,890 |
| 2. Gross surplus of public enterprises at 1977-78 rates, tariffs etc. | 10,295 |
| 3. Additional resource mobilisation by the Centre | 9,000 |
| 4. Additional resource mobilisation by the States. | 4,000 |
| 5. Market borrowings of Government, public enterprises etc. | 15,985 |
| 6. Small savings | 3,150 |
| 7. Central and State Provident Funds | 2,950 |
| 8. Term Loans of financial institutions (Net) | 1,300 |
| 9. Miscellaneous capital receipts (Net) | 450 |
| 10. External assistance (Net) | 5,955 |
| 11. Borrowing against utilisation of foreign exchange reserves | 1,180 |
| 12. Uncovered gap | 2,225 |

Total: 69,380

* all figures rounded off to nearest 5 crores.

5.2 It will be seen that nearly 54,000 crores are estimated to be available from the balances of current revenues of State and Central governments (after meeting non-plan expenditure) at current rates of taxation, from surpluses of Government industrial and commercial enterprises, provident funds and other savings, term lending institutions, market borrowing and external assistance. In these

computations non-plan outlays have been assumed to rise at 5% per annum. If prices remain stable the margin of 5% should be sufficient to meet not only normal year-to-year increases but also the cost of proper maintenance of assets created in earlier plans.

5.3 To cover the gap of Rs. 16,000 crores or so for financing the plan outlay proposed, it is suggested that Rs. 13,000 crores may be mobilised by the States and the Centre by way of additional taxes and by raising the surpluses of their respective public enterprises. About the same amount is likely to be collected during the period 1974-79 on the basis of taxation in the first four years, 40% of it by enhancement of railway freights and fares, postal and telephone charges, electricity tariff and bus fares.

5.4 A major source of resources for the next plan could be progressive reductions in subsidies at present paid by the Central Government. The return from investments in Central and State enterprises, is at present below the fair return allowed when fixing prices for the private sector, and should therefore be raised by economies and price adjustments to a post-tax level of about 10%. Water and power rates will need upward revision, in order to provide a reasonable return on the rising investments in these sectors. In view of the massive investments proposed to be made in agriculture and rural works of various kinds, earnest efforts must now be made to recover a part of the increased rural income for re-investment in the public sector. In view of the evidence of unequal distribution of rural assets (especially land) the equitable way of doing this would be through appropriately structured taxes on agricultural income or progressive surcharges on land revenue. Various forms of increased savings may be considered, such as increased contribution to provident funds, group insurance schemes and rural debentures. As regards taxation, besides examining the somewhat limited scope of enhancing the taxes on income and wealth and rates of commodity taxation, a part of the capital gains on developing urban land and property may be appropriated to the State treasuries.

5.5 Part of the gap remaining after resource mobilisation of this order might be set off against the planned import surplus. In preparing the Plan various possibilities have been examined of utilizing some of the expansion of the economy. The balance of payments exercises show that after leaving an adequate balance in hand for normal trading purposes, and against contingencies such as the need to import food (in the event of two succeeding bad harvests) we can afford to draw Rupees 1000-1500 crores from the reserves over the plan period. Obviously, foreign exchange can be used for development only through imports. To draw down reserves we have to plan for an import surplus. The sectoral outlays and production targets in the plan for 1978-83 have been adjusted in order to achieve this end.

Central and State Plans

5.6 The allocation of the public sector outlay between the Central Plan and those of States and Union Territories will be worked out later this year, after:

- (a) detailed formulation of five year plan sectoral programmes by the States and the Central Ministries;
- (b) the estimation of expenditure in the 1978-79 Annual Plan which should be transferred to the non-Plan budgets of the Centre and the States;
- (c) review of schemes in the agriculture, rural development, social service and other sectors, which were 'Centrally sponsored' in the Fifth Plan, to determine the coverage of such schemes in the next Plan; and
- (d) recommendations of the Seventh Finance Commission on the devolution of resources to the States, and the decision of the Central Government on these recommendations.

5.7 The Planning Commission is reviewing the principles for the allocation of Central assistance to States for their plan outlays. Though almost every State has some reservations on the application of specific elements of the Gadgil Formula, it has on the whole served its purpose well. It can only be replaced if a different system of allocation which is more appropriate to the present requirements of planning is found to be generally acceptable.

VI

THE ANNUAL PLAN 1978-79

6.1 Since it was necessary to re-order investment priorities as early as possible, it was decided to bring the Fifth Plan to an end a year before it was due, while formulating the new medium-term plan. The investment plan in the public sector for 1978-79, though drawn up in advance of the detailed formulation of the Plan for 1978-83 incorporates its priorities.

6.2 The following tables show:

(1) Sectoral outlays in the Plan for 1978-79
(Central and Total)

(2) Plans for States and Union Territories

TABLE 5

OUTLAYS IN THE PLAN FOR 1978-79

| Sl. No. | Head of Development | Centre | Total |
|--------------|---|---------|----------|
| (0) | (1) | (2) | (3) |
| (Rs. crores) | | | |
| 1. | Agriculture and allied programmes | 871.62 | 1754.24 |
| 2. | Irrigation (Major & Medium) | 5.97 | 1038.89 |
| 3. | Flood Control | 17.45 | 126.71 |
| 4. | Power | 243.71 | 2197.01 |
| 5. | Village and Small Industries | 139.93 | 218.95 |
| 6. | Industry and Mining | 2267.53 | 2414.20 |
| 7. | Transport and Communications | 1328.36 | 1781.79 |
| 8. | Education | 115.76 | 412.91 |
| 9. | Medical and Public Health | 258.20 | 392.83 |
| 10. | Water Supply and Sanitation | 62.70 | 337.88 |
| 11. | Housing | 68.29 | 205.52 |
| 12. | Urban Development including State Capital Projects | 44.63 | 133.49 |
| 13. | Backward Class Welfare | 24.05 | 96.20 |
| 14. | Social Welfare | 20.11 | 28.85 |
| 15. | Other Programmes and Services | 195.78 | 350.81 |
| 16. | Hill and Tribal Areas | | |
| | and N.E.C. | - | 159.04 |
| | Total | 5664.09 | 11649.32 |

TABLE 6

ANNUAL PLAN 1978-79 STATES AND UNION TERRITORIES

| Sl. No. | States | Approved Outlay | 1977-78 | 1978-79 |
|-------------------|---------------------------|--------------------|----------------------------|------------------|
| | | | Anticipated Expenditure | Agreed Outlay |
| (0) | (1) | (2) | (3) | (4) |
| (Rs. crores) | | | | |
| 1. | Andhra Pradesh | 368.75 | 383.03 | 449.00 |
| 2. | Assam | 119.39 | 117.95 | 155.00 |
| 3. | Bihar | 306.94 | 309.28 | 384.14 |
| 4. | Gujarat | 291.58 | 292.49 | 335.00 |
| 5. | Haryana | 154.40 | 167.95 | 210.00 |
| 6. | Himachal Pradesh | 56.35 | 5.27 | 73.00 |
| 7. | Jammu & Kashmir | 89.68 | 93.86 | 108.00 |
| 8. | Karnataka | 241.50 | 245.66 | 309.00 |
| 9. | Kerala | 141.52 | 154.01 | 176.00 |
| 10. | Madhya Pradesh | 355.77 | 365.86 | 413.00 |
| 11. | Maharashtra | 661.80 | 668.74 | 735.00 |
| 12. | Manipur | 23.19 | 22.75 | 28.26 |
| 13. | Meghalaya | 24.46 | 24.34 | 28.11 |
| 14. | Nagaland | 19.27 | 20.16 | 24.53 |
| 15. | Orissa | 154.00 | 154.51 | 191.00 |
| 16. | Punjab | 265.50 | 212.00 | 260.00 |
| 17. | Rajasthan | 175.30 | 197.56 | 235.00 |
| 18. | Sikkim | 12.47 | 13.46 | 15.80 |
| 19. | Tamil Nadu | 260.12 | 260.92 | 305.00 |
| 20. | Tripura | 15.78 | 16.61 | 22.60 |
| 21. | Uttar Pradesh | 654.75 | 681.79 | 755.00 |
| 22. | West Bengal | 315.92 | 316.95 | 371.40 |
| Total States | | <u>4708.44</u> | <u>4775.15</u> | <u>5593.84</u> |
| UNION TERRITORIES | | | | |
| 1. | Andaman & Nicobar Islands | 8.29 | 8.29 | 10.44 |
| 2. | Arunachal Pradesh | 14.13 | 15.41 | 23.40 |
| 3. | Chandigarh | 11.04 | 10.26 | 12.12 |
| 4. | Dadra & Nagar Haveli | 2.61 | 2.62 | 3.20 |
| 5. | Delhi | 90.10 | 90.12 | 108.00 |
| 6. | Goa, Daman, Diu | 21.06 | 23.53 | 27.50 |
| 7. | Lakshadweep | 1.67 | 1.60 | 2.44 |
| 8. | Mizoram | 11.07 | 11.26 | 16.65 |
| 9. | Pondicherry | 8.43 | 8.41 | 10.50 |
| Total - U.T | | <u>168.40</u> | <u>171.50</u> | <u>214.25</u> |
| GRAND TOTAL | | <u>4876.84</u> | <u>4946.65</u> | <u>5798.09</u> |

VII EMPLOYMENT

7.1 Since the growth of employment in large and medium industries is incapable of absorbing more than a small fraction of the labour force, the employment strategy of the Plan is:

- (a) To adopt an employment intensive sectoral planning;
- (b) To regulate technological change to protect and enhance employment, and
- (c) To promote area planning for full employment.

7.2 The pattern of growth and, therefore, the inter-sectoral allocations of investment and the determination of the output targets have been based explicitly on the need to increase employment generation rapidly. Besides the employment augmenting capacity of irrigated agriculture and the largely expanded allied sector of dairying, forestry and the fisheries, the Plan will generate employment through:

- (a) The expansion of infrastructure and social services e.g. road construction, electrification, water supply, rural schools and community health services;
- (b) A large increase in the consumption of the poor; such consumption will create additional employment for wage goods which can be produced by labour-intensive methods.

7.3 The irrigation, power and housing programmes also imply a massive increase in construction activity with a corresponding expansion of employment opportunities.

7.3 Studies in the choice of technology in sugar and textile sectors have been completed. Similar studies for other selected sectors are in progress. The criteria of choice and the policies to be applied have been indicated in the chapters on "Employment" and "Industries". These policies include reservation of fields of production for the household and small-scale sectors and differential excise protection. It is expected that in certain fields appropriate technologies can be developed to eliminate any

existing cost disadvantage of smaller units altogether.

7.3 If the Plans of investment and production are fully implemented, it is estimated that employment opportunities of the following order would be created within the Plan period.

| | <u>Million man-years</u> |
|---|--------------------------|
| 1. Agriculture and allied sectors | 22.768 |
| 2. Mining | 0.447 |
| 3. Manufacturing (including cottage industries) | 8.918 |
| 4. Construction and services | 17.128 |
| | <hr/> |
| | 49.261 |
| | <hr/> |

This implies that the expansion in the labour force of 30 million in the period 1978 to 1983 as well as a substantial part of the backlog of unemployment can be absorbed.

VIII

REVISED MINIMUM NEEDS PROGRAMME

8.1 Although a Minimum Needs approach to the alleviation of poverty was mooted in the Fifth Plan period, the outlay originally earmarked for this programme had to be reduced on account of the inflationary crisis of 1973-75, and amounted to about Rs.800 crores only over the years 1974 to 1978. In this Plan the earlier list of basic needs viz., supply of drinking water, provision of house-sites for the homeless, village access roads, elementary education for the rural poor, provision of rural health services, extension of rural electrification, environmental improvement of slums and nutrition for the undernourished - will be extended to include adult education. Various norms under the programme will be changed to improve the coverage and the outlay will be stepped up to Rs.4180 crores.

8.2 The Minimum Needs Programme for 1978-83 is summarised in Table 7 on pages 27 and 28.

8.3 The targets that this strategy aims at are:-

(a) Elementary and Adult Education: About 32 million children will be covered, increasing the coverage of elementary education from 69% of children in the age groups 6-14 to 90%. Of the 100 million or so adult illiterates in the age group 15-35, an attempt will be to make 66 million literates by the end of the Plan.

(b) Rural Health: It is intended that a community health worker and a trained dai will be provided for every 1000 of the population as soon as possible. In addition to completing the backlog of construction of Primary Health Centres and Sub-Centre buildings by the end of the Plan, there will be one P.H.C. per block and 38,000 new sub-centres. In addition, 400 primary health centres will be upgraded into 30-bedded hospitals.

(c) Drinking Water: All the villages, numbering one lakh, which were estimated in the past, to be lacking in safe drinking water supply, should have this facility by the end of the Plan.

(d) Rural Roads: About half the villages with population of 1000 to 1500 would be linked by road; the other half would be covered in the next five years.

(e) Rural Electrification: Besides strengthening the existing rural electrification system, approximately 40,000 villages will be electrified by 1982-83 as a part of a phased programme to cover at least 50% of the villages in every State and Union Territory.

(f) Housing & Urban Development: About 7 million landless labourers were provided with house sites in the Fifth Plan but no assistance for developing or building on them was provided. In the Plan about 8 million landless workers will benefit from a scheme for providing developed plots, a drinking water source for every 30 houses, sanitation and some assistance for materials. The scheme envisages all the manual work being contributed by the beneficiaries. In urban housing the programme of slum improvement will benefit about 13 million slum dwellers leaving about 18 million to be covered in the next Plan. Special emphasis will be given to housing for the economically weaker sections especially in the smaller towns. The thrust of the urban development strategy is to develop the smaller towns and to decongest the larger cities.

(g) Nutrition: The coverage of mid-day meals scheme for under nourished children and the supplementary nutrition programme for mothers and infants will be preferentially extended to blocks which have a high proportion of scheduled castes and scheduled tribe population. The estimated numbers of additional beneficiaries would be 2.6 million children under the nutrition scheme and 4 million children under the mid-day meals scheme.

TABLE 7

TARGETS AND OUTLAY FOR REVISED MINIMUM NEEDS PROGRAMME

| Sl. No. | Item | Norms | Coverage 1978-83 | Outlay 1978-83 |
|---------|--|--|--|----------------|
| 1 | 2 | 3 | 4 | |
| 1 (a) | Elementary Education | 100% coverage of children 6 to 14 | 90% | 900 Rs. crores |
| (b) | Adult Education | Coverage of all adults in age group 15-35 | 66% | 200 |
| 2. | Rural Health | (a) 100% coverage by community health worker (sanitation, immunisation, simple remedies, referral services) (b) Establishment of one primary health centre for every 50,000 population and one sub-centre for 5,000 population. | PHC 46% Sub-Centres 71% | 490 |
| 3. | Rural Water Supply. | Coverage of all problem villages | 100% | 675 |
| 4. | Rural Roads | Linking up all villages with a population of 1000 or more | 100% coverage of villages with population of 1500 and above and 50% coverage of villages with Pop. of 1000-1500. | 800 |
| 5. | Rural Electrification | Supply of power to 50% of villages in each State/U.T. | 40000 villages to be electrified. | 250 |
| 6. | (a) House-sites for landless and rural housing | 100% coverage for landless labour households. | About 45% | 500 |

| Sl. No. | Item | Norms | Coverage 1978-83 | Outlay 1978-83 |
|---------|--|---|---|-------------------|
| 0 | 1 | 2 | 3 | 4 |
| | | | | Rs. crores |
| (b) | Environmental improvement of urban slums | Environmental improvement comprising (a) expansion of water supply (b) sewerage, (c) paving of streets, and (d) provision of community latrines in slum areas. Areas inhabited by scheduled castes, particularly scavengers etc. to be given due priority. | 13 million urban slum dwellers in large cities to benefit | 190 |
| 7 | Nutrition Programme | <ol style="list-style-type: none"> Mid-day meals for one-fourth of children in age group 6-11 years. Supplementary feeding programme for under-nourished children in the age group 0-6, pregnant women and nursing mothers in blocks with high concentration of SC/ST | <p>About 4 million addl. children under MDM.</p> <p>Addl. 2.6 million pre-school children and nursing mothers under SNP</p> | 175 |
| | | | Total: | 4180 |

IX

DISTRIBUTIVE JUSTICE

9.1 In a developing economy the instrument of taxation alone is ineffective in reducing disparities in income and property. Therefore a variety of other redistributive measures are necessary. These should influence, first of all, the existing distribution of assets, particularly agricultural land, urban real estate and corporate property. Secondly, public sector operations should steer the distribution of essential commodities, infrastructure facilities and social services in favour of low-income consumers. Thirdly, on the production side, the share of small farmers and small industry enterprises* in institutional credit and in the supply of material inputs needs to be increased, and their access to technical and marketing assistance improved. Fourthly, policies which minimise unemployment should be expected to reduce inequalities. And, finally, the rural and urban poor have to be organised. Their vigilance alone can ensure that the benefits of various laws, policies and schemes designed to benefit them do produce their intended effect.

Thus, in addition to fiscal measures, narrowly defined, a redistributive bias has to be built into the whole spectrum of production, distribution and employment policies and in the organisational effort of official and non-official agencies. This section presents a consolidated summary of the redistributive policies recommended in various Chapters of the Plan.

Land Reform:

9.2 According to Reserve Bank data the concentration ratio of assets (mainly agricultural land) owned by rural households was 0.65 in 1961-62 and increased to 0.66 in 1971-72. The poorest 10 per cent of rural households owned only 0.1 per cent and the richest 10 per cent owned more than half of total assets in 1971-72 as well as 1961-62. These data show that up to the 60's the land reform measures had no visible impact on the distribution of rural property. As on 31st July 1977, the estimated surplus area was only 5.32 million acres, the area "declared surplus" was 4.04 million acres, the area "taken over" by governments was 2.10 million acres, and the area actually distributed was

* In this section the term "small industries" comprises cottage, village and small-scale industries.

only 1.29 million acres. Thus the distributed area remains less than one-fourth of the estimated surplus. The disconcerting fact is that the officially estimated surplus is a fraction of the area held in large ownership holdings as estimated from survey data[@]. The discrepancy between the "estimated surplus" area and the area roughly indicated as potential surplus by survey data may be due to varying definitions of surplus land in different States, the transfers made to evade ceilings, the failure to record or verify true surpluses or both.

9.3 The situation needs to be rectified so that the true surpluses may be identified and redistributed within a definite time period with renewed determination. It has, therefore, been proposed in the section on Land Reforms that the process of correcting land records and redistributing the true surplus be completed within five years. It would be necessary for this purpose that village committees, for which there is provision in the ceiling laws of many States, be reconstituted with adequate representation of potential beneficiaries. These committees should be legally empowered to correct land records, identify true surpluses and draw up redistribution plans for each village. These redistribution plans should be implemented subject to one appeal to be decided upon by tribunals within a fixed, short time period. Special legislation may have to be enacted, and machinery set up, to back this new procedure.

9.4 Land redistribution will increase employment in agriculture because small holdings systematically employ more labour per hectare than large holdings. And, there need be no loss of productivity per hectare because, given equal access to credit and material inputs, small farms yield more output per hectare than large farms.

9.5 It is the established policy that preference be given to landless households in the allotment of surplus land. Even with small holdings of a hectare or less, the landless families can cross the poverty line if the holdings are

@ According to the National Sample Survey (26th Round, 1971-72) the area owned in holdings of 30 acres or more was 57.81 million acres. Allowing for self-cultivation by surplus owners the potential surplus would be 21.51 million acres. Similarly the area owned in holdings of 50 acres or more was 25.87 million acres and after the self-cultivation deduction the potential surplus would be 8.37 million acres. The Guidelines of 1972 specified a ceiling of 10 to 18 acres for land with assured irrigation for two crops, 27 acres for land with irrigation with one crop and 54 acres for dryland.

irrigated and income from crop production is supplemented by income from animal husbandry, fishery, forestry and cottage industry activities. Even the possession of small holdings will improve the social status of the landless, particularly scheduled castes and tribes, and enable them to have better access to other means of production.

9.6 Tenancy reform has often been conceived as independent of the legislation on ceilings. But it should be properly implemented as a part of the same redistributive process. Just as landless workers ought to be the prime claimants of surplus self-cultivated land, true occupying self-cultivating tenants and share-croppers should be the prime claimants of surplus leased-out land. The assurance of security of tenure, limited rent liability, and eventual ownership to real self-cultivating tenants and share-croppers / leased-out land. The present tenancy legislation should be reviewed from this point of view and State Governments urged to implement it with a new resolve. Provisions in respect of the identification of tenants and in respect of the owners' right of resumption should be particularly reconsidered and revised where necessary.

Urban and Corporate Property:

9.7 It is well-known that the concentration of corporate property has increased during the last decade. The assets of the top 20 business houses increased from about 2500 crores to Rs. 4500 crores between 1969 and 1975. It has also been shown in recent studies that four firms control more than half of the total sales in nine industries, including steel, petroleum, transport equipment, cement, synthetic fibres, paper, food products, cigarettes and rubber products. In the first two of these industries, production is concentrated mainly in the public sector. But in the last seven private houses control the bulk of production.

9.8 In order to reduce financial concentration it has been proposed in the Chapter on Industry that additional capacity be licensed for large industrial houses only after considering all alternatives of letting the new capacity be created by medium size business houses and/or the public sector. Policies under which large business houses are able to expand capacity if they locate it in backward areas

/ will bring about an effective redistribution of

or make export commitments should be carefully re-examined. In some industries economies of scale and size of the domestic market dictate that production be concentrated in one or a few units. But it is necessary that the Government should use its legal powers under the MRTP Act, and its power of representation on company boards, to prevent the abuses associated with the concentration of industrial power.

9.9 Modern large-scale industry is characterised by a fundamental alienation between work and property, wage income and profit income. This alienation generates chronic industrial strife. In Gandhian, socialist as well as progressive liberal thought there is a converging consensus that this strife can be minimised only if the modern corporation evolves as a socially responsible entity in which capital, labour and most of society reconcile their interests as effective partners in management and ownership.

9.10 In pursuit of this concept important movements have emerged and legislation has been enacted in many countries (including U.K., France and Germany) to enable workers to become partners in the management and/or the equity of large enterprises. A Committee has been appointed by the Government of India to make recommendations about workers' participation in management. The terms of reference of the committee include the making of recommendations to enable / companies in the public sector as well as the private sector. Appropriate policies will be formulated after the recommendations of the committee are received.

9.11 As an analogue of land reform, urban land ceilings were enacted recently in order to limit the concentration of real estate ownership. The delay in following through the basic objectives of the legislation has retarded construction.

Distribution of Goods and Services:

9.12 Besides land and urban property reform, policies to introduce discrimination in the flow of real income in favour of low income consumers and small producers are also essential. This discrimination is necessary and

/ workers to become shareholders in the equity of large

feasible in three areas:

- (a) in the distribution of essential consumption goods;
- (b) in the distribution of credit and modern material inputs needed by small producers; and
- (c) in the distribution of public goods, infrastructure and social services provided by the public sector.

The need for dualism in the distribution and pricing of inputs and essential goods arises because the free market allocates an unduly small share of the available supplies to low income consumers and small producers, particularly when supplies are short and prices rise. Therefore, the public sector has to pre-empt or procure a part of the supply and make it available to these vulnerable groups at reasonable prices. The supply not procured by the public sector can flow freely in the market to other non-priority consumers at free market prices.

The Public Distribution System:

9.13 In the case of consumer goods, the public distribution system is already operative. It covers foodgrains, sugar, kerosene and controlled cloth. It is proposed to expand the coverage to include pulses and edible oil. Cooperative outlets are also to be encouraged to include in their operations, according to local demands, other consumer products such as salt, matches, tea, soap, common drugs, exercise books, ready-made garments and standard footwear. The total number of public distribution outlets will be increased particularly to serve the rural poor more adequately. The public distribution system does not necessarily improve the distribution of income but it helps to prevent a deterioration in distribution in inflationary conditions. Shortages of essential goods as well as monetary inflation can be highly regressive if a public distribution system does not prevent serious cuts in the consumption of the poor.

The Distribution of Credit & other Inputs:

9.14 In the case of inputs, particularly credit with which inputs are purchased, the share of small producers in the total supply remains low. Given access to credit on similar terms small farmers and small producers in many

industries are able to have productivity and costs comparable to those in large units. But such access is denied by free market forces. Therefore, it is essential that the expansion of institutional credit should continue and an increasing proportion of this credit be made available to small producers.

9.15 In the case of agricultural credit, in 1971-72 institutional credit (from Government, cooperatives, commercial banks etc.) accounted for about nearly 32 per cent of the outstanding cash dues of cultivators. In the commercial bank sector 12.2 per cent of the increase in gross bank credit in 1976-77 went to agriculture. As regards the share of small farmers (with two hectares or less) in rural credit, they obtained 31 per cent of the advances made by cooperatives and land development banks in 1975-76. In commercial bank credit their share was larger and amounted to about 46 per cent. Taking cooperatives and commercial bank credit together the share of small farmers is about 33 per cent.

9.16 This is a significant proportion but it has been proposed in the Chapter on Agriculture that it should be substantially increased so that the abject dependence of small farmers on money-lenders is minimised. The significance of the public credit system favouring small farmers is that it is a powerful means of reducing rural disparities in many ways. It eliminates the inequity of usury, it raises small farm incomes, and above all, it can bring about a radical change in the distribution of major non-land assets such as livestock and irrigation capacity.

9.17 Small farmers have very little by way of assets to offer as security; loans to them for productive purposes have to be advanced either against the security of assets to be financed by the loans, or where the amounts involved are small, on personal credit. Similar facilities should be made available to artisans.

9.18 Even if credit is available, the small farmers often suffer discrimination in the actual availability of fertilisers, tube-wells, pesticides, improved seeds and other inputs. Therefore, as credit availability for them is improved their access to material inputs and irrigation equipment should also be improved by building conscious biases in their favour in the public sector delivery systems.

9.19 Small industrial enterprises can also have larger incomes and assets if the public sector credit system makes an earmarked and increasing share of its credit available to them. The credit arrangements proposed to support the expanded small industry programmes are intended to serve this objective. The systems of extension, marketing, raw material supply and hire purchase of equipment are being expanded and streamlined exclusively to serve small industries.

Consumption Credit and Debt Relief:

9.20 Data show that in 1971-72 agricultural labourers and artisans had to depend on landlords, traders, moneylenders and other non-institutional sources for 90 to 95 per cent of their credit requirements. A substantial proportion of the borrowings of agricultural labour households is for meeting consumption needs. It is essential that the credit system should provide such households with consumption credit to cover periods in which returns from productive work are awaited. Apart from requirements of such households for fresh credit, steps will also have to be taken to mitigate the burdens imposed by their existing debt. Several States have taken measures for providing relief to poor households by imposing a moratorium on debt repayment. In some cases steps have also been taken to discharge or scale down debts. If poor households are to become independent these measures will have to be effectively implemented.

9.21 The establishment of such a credit structure would enable many poor households to break free of bondage and increase their earning power.

Infrastructure and Social Services:

9.22 In the field of infrastructure and social services, the entire Revised Minimum Needs Programme aims at a significant expansion and re-allocation of expenditure on drinking water supply, electrification, road construction, health, education, nutrition, urban slum upgradation and housing assistance in favour of rural areas and the urban poor.

Employment:

9.23 For those who are poor as well as unemployed, access to employment is the most vital need. Since the basic strategy of the plan is to generate employment on a large scale a substantial degree of re-distribution will result. For dealing with the poverty of those who are occupied but poor, the strategy is to increase the productivity of small enterprise in industry and agriculture. In areas where employment opportunities are expanded, the real wages of rural workers will at least be stabilised despite demographic pressure. Where labour shortages develop they may even rise.

Development of Backward Classes:

9.24 More than one fifth of the country's population consists of scheduled castes and scheduled tribes, residing in rural areas. They constitute the poorest section of the population. The scheduled tribes live mostly in well defined areas; these areas are relatively under-developed and poorly integrated with the rest of the economy. Scheduled castes are spread all over the country and generally constitute a substantial fraction of the population below the poverty line. They have few assets and are generally dependant on share-cropping or agricultural labour. Many scheduled caste communities suffer from the additional disability imposed by the practice of untouchability. Redistributive policies must pay special attention to those and other backward classes if it is to be successful. The approach in this plan is to integrate provisions for assisting backward classes in the general development programmes.

9.25 The Plan includes a provision for special sub-plans for tribal areas. At present, around two-thirds of the tribal population is covered by such plans and in this plan some further areas of tribal concentration will be added. There is also a substantial provision for integrated rural development in the Plan. The selection of blocks for area development and the choice of programmes will be made in a manner which would favour backward classes. Specifically all blocks with a scheduled caste population of 20% or more will be covered under the programme and a target group orientation of the kind

that is found in the SFDA/MFAL scheme will be maintained in the choice of schemes in all blocks. Thus it is expected that a substantial part of the total provision for area development schemes will benefit backward classes. The programmes for subsidiary occupations and the rural credit programmes will also be oriented to enable them to purchase assets required to improve their economic and social status. They will also benefit from more vigorous implementation of land reform laws.

9.26 The Revised Minimum Needs Programmes envisages a substantial effort towards universal elementary education and adult education. The scheduled caste and scheduled tribe population is particularly backward in this regard. Hence, a vigorous implementation of this part of the RMNP will narrow the gap between backward classes and the rest of the population. A large proportion of the new facilities for primary education will be set up in areas with high concentration of backward classes, which at present have limited access to education. Similarly the principal beneficiaries of the provision of Rs. 500 crores for landless labourer housing in the RMNP will be the backward classes. Apart from these a bias in favour of backward classes is also built into the provisions in the RMNP for supplementary nutrition and the environmental improvement of slums.

9.27 Besides the benefits that would accrue to backward classes because of the orientation of general development programmes, the Plan includes a provision of Rs. 545 crores for special welfare schemes for backward classes. The major schemes included here cover the provision of scholarships, training centres to enable backward classes to compete effectively for government posts and other employment opportunities, and various grants and subsidies for agricultural activities, cottage industries and other trades.

9.28 Thus, this plan includes substantial provisions to improve the economic and social status of backward classes and to increase their share of public consumption. Backward classes will benefit not merely from specific earmarked provisions in general development programmes and from welfare schemes but also from the

fact that, as labouring classes, they will be the principal beneficiaries of the employment orientation of the Plan. They will also gain from the proposals for promoting village industries and other subsidiary occupations.

Development of Backward Areas:

9.29 A substantial part of the problem of poverty is due to the uneven levels of development in different parts of the country. Any attempt at redistribution on a national scale must imply a reduction in these inter-regional gaps in the levels of development, the standard of living and the quality of life. However, to be successful such an attempt has to form part of the general development strategy.

9.30 The approach to backward area development hitherto has been characterised by incentives for industrialisation on the one hand and problem-oriented special programmes on the other. The extent to which these measures have succeeded in evening out levels of development is uncertain. However, our experience with large industrial projects located in backward areas suggests that organised industry is not necessarily the sort of growth catalyst that backward areas need.

9.31 The approach in this plan is to rely to a much greater extent on the development of agriculture, village and small industries, subsidiary occupations and related services through hill-area, tribal-area, Revised Minimum Needs and area development programmes referred to earlier.

Organisation of the Poor:

9.32 Critical for the success of all redistributive laws, policies and programmes is that the poor be organised and made conscious of the benefits intended for them. Organised tenants have to see that the tenancy laws are implemented. Organisations of the landless have to see that surplus lands are identified and distributed to them in accordance with the law within five years. Local leaders of the poor have to ensure that all area plans and sectoral plans designed for the benefit of their localities and target groups are effectively administered. The general lesson of the experience so far is that because of leakages in delivery systems and ineffective administration rural programmes

fail to improve the distribution of income. The Planning Commission is proposing a massive shift of resources in favour of rural areas with an in-built redistributive character in almost every programme. But whether the larger resources will have the desired equalising effect will depend on the extent to which the organised pressure of the beneficiaries counteracts the weaknesses of the administration and the opposition of vested interests.

Fiscal Measures :

9.33 Non-fiscal policies have been discussed so far. But more progressive fiscal action would remain as important as ever. In the chapter on Financial Resources a large number of fiscal measures have been suggested to ensure that the burden of additional resource mobilisation falls equitably on different classes. In the field of direct taxation, wealth and agricultural taxes urgently need to be made more progressive, and taxes have to be levied on capital gains from land values. In the field of indirect taxation, the twin principles to which primacy should be given in reforming the rate structure are that small-scale intensive labour production and low income consumption should be given exemption or differential relief. All other production and consumption should be suitably taxed. The same twin principles should apply to subsidies. All subsidies have to be reviewed to see that they benefit small-scale production and low income consumption, those which do not serve these purposes have to be phased out.

Incomes Policy

9.34 In the context of the need to maintain price stability and to mobilise resources for investment in the public sector, a national policy of incomes is needed. Such a policy should cover wages, profits, rents and the income of the self-employed. The choice is to be made between using resources to enlarge the incomes of those who are propertied or employed and using them to mitigate unemployment. A national incomes policy is also required to lay down guidelines for achieving an acceptable disparity ratio. A Committee has been appointed by the Government to look into this issue.

9.35 In deciding an incomes policy, the possibility of extending minimum wages legislation to the unorganised sector may be examined, but this should go in hand in hand with measures for assuring increased employment. In the case of professions, trading and business incomes, redistribution can be affected through controls on expenditure on business accounts and imposition of ceilings on salaries.

9.36 It is self-evident that there is no single panacea for redistribution. But if the whole complex of policies recommended in various parts of the Plan are pursued in a coordinated manner with a redistributive bias, unemployment can be eliminated, the incidence of poverty can be substantially reduced and the indices of inequality in the distribution of income and poverty brought down in the next decade.

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ECONOMIC POLICIES

Prices

10.1 Although some price fluctuations during the plan period would be unavoidable, it should remain a primary aim of policy to operate the economy within a regime of stable prices while implementing the investment programme. ~~The~~ achievement of economic growth with price stability demands a degree of foresight, flexibility and determination in the formulation and implementation of economic policies that we have not been able to attain the past. Price stability requires :

- (a) Reasonable balance between aggregate demand and supply to be sustained through a mixture of fiscal and monetary policies;
- (b) Providing for a steady increase in the supply of goods of essential mass consumption;
- (c) Internally consistent policies dealing with prices of agricultural commodities, those of manufactures in the private and public sector and prices of various services.

10.2 Stabilisation policies for agricultural commodities will involve appropriate support prices, buffer stock operations and imports when necessary. The commodities to be covered under this policy would include not only rice and wheat but also cotton and jute. Subject to our financial and administrative capabilities it is desirable to add pulses and oil seeds to this group. The approach of the Agricultural Prices Commission to the determination of support prices of various commodities has been sound, and it is important in the interests of price stability that no price increase be given unless it is justified by a substantial rise in input prices. More attention needs to be paid to the fixing of relative prices of competing crops, to ensure that the distribution of acreage between them moves in the planned direction. However, it has to be recognised that in some cases the share of particular crops in the total cultivated area depends on technological changes which increase yield rather than relative prices.

10.3 In the case of manufactures price fixation should be limited to a few commodities where ~~this~~ is already required for maintaining overall price stability and orderly marketing for all such commodities, whether produced in the private or the public sector a fair return on investment

ing
should be assured in determin~~ing~~ administered prices.
The concept of a fair return applied also to the pricing of services.

Monetary Policy

10.4 Although the new plan is being launched with a year of relatively stable prices behind it, it is possible that inflationary pressure may develop during the course of the Plan. It is necessary therefore to monitor the balance between the aggregate demand for goods and aggregate supply and to relate the growth of the money supply to the growth of the net domestic product. There is need for caution in determining the permissible rate of growth of money supply particularly because the pattern of investments in the Plan will generate incomes among groups with a low savings potential.

10.5 The problem of curbing monetary expansion in the present phase of the Indian economy is that there are two major elements which are virtually outside our control, namely, the increase in money corresponding to inward remittances of foreign exchange, and the requirement of credit for financing the purchase of goodgrains when a surplus has to be procured in order to support prices. The problem is further enhanced by the need to support prices of commodities other than wheat and rice. The containment of the growth of money supply has then to operate only through two main levers viz. the regulation of bank credit to the commercial sector and the extent of the combined budgetary deficit of the Central and State Governments. The restriction of bank credit to industry tends to affect production, and the Government deficit can usually be reduced below the budgetary level only by curbing Plan outlays. A third method of countering the growth of money supply - viz. the stepping up of imports - is also available, but its scope is limited if the full range of necessary imports has already been planned. The coordination of fiscal and monetary policies, price policy in agriculture and the adjustment of administered prices over a wide range thus poses a challenge to the managers of the economy. The instrument that has to be developed to achieve a satisfactory management system for the economy is the aggregate monetary budget. It is suggested that such a budget should be prepared with the financial budget (although it need not be made public) and should be reviewed quarterly. It is also necessary to develop better models for the short-term forecasting of economic trends and the data base for this purpose needs to be established early.

10.6 If despite the utmost care in plan formulation and economic management, grave imbalances develop between long-term expectation and short-term trends, it will be possible in the rolling plan system to review the various assumptions on which the plan targets and inter-sectoral plans have been determined, and necessary adjustments can be made at the time of the Annual Plan review.

Trade

10.7 The international environment in which the next Plan is being launched is more favourable than for any previous plan. India's relations with all neighbouring countries are good and may be expected to improve. It is reasonable to hope that our economic plans will not be upset by any international conflict, and that the draft on resources by way of requirements of national security will not increase to any significant extent. The outlook for the growth of India's international trade is on the whole favourable, despite the continuance of some uncertainty about the trend of world trade and the extent to which the developed countries as a whole may wish to restrict the import of certain commodities of interest to India. The diversification of India's trading pattern due to the development of the West Asian market, especially for engineering exports, is an added source of strength. The prospects for the growth of trade under India's bilateral agreements with a number of countries continue to be encouraging and increasingly the payment arrangements under these agreements may be liberalised. Provided that domestic prices can be kept reasonably stable, the competitiveness of India's exports of manufactures is likely to improve further, with increasing efficiency of Indian industry and continued high inflation rates in a number of western countries.

10.8 The system of linking the value of the rupee with that of a basket of currencies has proved effective in combining flexibility with a degree of stability. The selection of commodities for export promotion in the future should be mainly on the basis of dynamic comparative advantage, taking into account the domestic resource cost of the exportable commodity.

10.9 While strict controls on all foreign exchange transactions must continue, selective relaxation of trade controls, which has been initiated, is clearly warranted by the strength of our balance of payments position. However, such relaxation has to be consistent with other objectives of domestic policy, such as protection of small industries.

10.10 The case for such relaxation is three-fold viz., (a) to transform a part of our present foreign exchange reserves into resources for development, exploiting our ability now to take 'make or buy' decisions on economic grounds, (b) by cheaper imports to stimulate competitive exports and reduce industrial costs in the domestic economy, (c) to provide an element of competition in certain sectors of industry whose efficiency may be suffering on account of excessive protection. In assessing the availability of resources for development it has been assumed that the level of external assistance will in the next five years remain the same as currently. This implies that the current balance of trade will be turned into a substantial import surplus by the investments proposed in different sectors of the Plan. Aid will account for only about 5 per cent of the total Plan outlay and our development plans therefore are no longer critically dependent on the quantum of aid. So far as private foreign investment is concerned, we have never relied upon it as a major source of capital to augment domestic savings. While a substantial reliance on this form of external resource would not be desirable, selective investment in the Indian industry by foreign firms on terms which are not onerous offers possibilities of import of associated technology which we should be prepared to consider on the merits of individual proposals. These proposals would need to be carefully assessed in terms of costs and benefits to the Indian economy.

XI

SECTORAL STRATEGIES? TARGETS AND OUTLAYS

11.1 The sectoral strategies, targets and outlays closely reflect the main strategy and the basic objectives of the Plan. Thus, in drawing up the Plan:

- (a) the highest priority has been given to the sectors which generate the maximum employment and which have a significant impact on the standard of living of the poorest, like agriculture and allied activities, village, cottage and small industries and inputs like irrigation, fertilisers and power, which are required to sustain them;
- (b) upgraded norms have been adopted in the Revised Minimum Needs Programme and, to the extent possible, programmes in sectors like communications, science and technology, housing, health and family welfare, education, social welfare and nutrition have been oriented to benefit the rural and urban poor; and
- (c) the objective of achieving self-reliance both technologically and by investment in sectors which will ensure that when necessary we can do without foreign aid, has been kept in view.

11.2 The sectoral outlays in the public sector plan are indicated below; allocations in the Fifth Five Year Plan have been indicated for comparison.

TABLE 8
SECTORAL OUTLAYS

| Sl. No. | Sector | Fifth Plan 1974-79 | % of total outlay | Plan 1978-83 | % of total outlay | % increase in 1978-83 over Fifth Plan |
|---------|--|--------------------|-------------------|--------------|---------------------|---------------------------------------|
| (0) | (1) | (2) | (3) | (4) | (5) (Rs. crores) | (6) |
| I. | Agriculture and allied activities | <u>4302</u> | 11.0 | <u>8600</u> | 12.4 | 99.5 |
| | 1. Agriculture | 3109 | | 5800 | | |
| | 2. Rural Development | 743 | | 2000 | | |
| | 3. Hill and Tribal Area Development | 450 | | 800 | | |
| II. | Irrigation and Flood Control | <u>4226</u> | 10.7 | <u>9650</u> | 13.9 | 128.3 |
| | 1. Major & Medium Irrigation | 3089 | | 7250 | | |
| | 2. Minor Irrigation | 792 | | 1725 | | |
| | 3. Flood Control | 345 | | 675 | | |
| III. | Industry and Minerals (excluding energy) | <u>7362</u> | 18.7 | <u>10350</u> | 14.9 | 40.6 |
| | 1. Village and Small Scale | 510 | | 1410 | | |
| | 2. Large and Medium | 5297 | | 7252 | | |
| | 3. Fertilisers and Pesticides | 1555 | | 1688 | | |
| IV. | Energy, Science and Technology | <u>10291</u> | 26.2 | <u>20800</u> | 30.0 | 102.1 |
| | 1. Power | 7016 | | 15750 | | 124.5 |
| | 2. Petroleum | 1691 | | 2550 | | 50.8 |
| | 3. Coal | 1148 | | 1850 | | |
| | 4. Science and Technology | 436 | | 650 | | 49.1 |

| (0) | (1) | (2) | (3) | (4) | (5) | (6) |
|-----|---|-------|--------|-------|-------|--------------|
| | | | | | | (Rs. crores) |
| V. | Transport and Communications | 6917 | 17.6 | 10625 | 15.3 | 53.6 |
| | 1. Railways | 2202 | | 3350 | | |
| | 2. P & T, Tele-communications | 1267 | | 2095 | | |
| | 3. Civil Aviation | 297 | | 700 | | |
| | 4. Ports and Shipping | 1035 | | 1115 | | |
| | 5. Road and Road Transport | 1815 | | 2923 | | |
| | 6. Information & Broadcasting and Publicity | 122 | | 183 | | |
| | 7. Others (IWT etc.) | 179 | | 259 | | |
| VI. | Social Services | 6224 | 15.8 | 9355 | 13.5 | 50.1 |
| | 1. Education | 1285 | | 1955 | | |
| | 2. Health & Family Welfare | 1179 | | 2095 | | |
| | 3. Housing, Urban Development & Works | 1189 | | 2540 | | |
| | 4. Water Supply | 971 | | 1580 | | |
| | 5. Social Welfare and Nutrition | 202 | | 305 | | |
| | 6. Backward Classes and Harijan Welfare | 327 | | 545 | | |
| | 7. Others (Rehabilitation, Labour Welfare, etc. including unclassified) | 1071* | | 335 | | |
| | Grand Total : | 39322 | 100.00 | 69380 | 100.0 | 76.4 |

* The outlays in this sector have been reclassified in the 1978-83 Plan and included under the outlays in the other sectors.

11.3 The outlay on Social Services in the Plan as a proportion of the total public sector plan outlay under-states the priority given to this sector. Unlike outlays in sectors such as Industry and Mining, a large part of the outlay on Education, Health or Backward Classes Welfare in one plan period, consisting of recurring expenditure, becomes non-plan outlay at the end of the plan. Therefore, in judging the importance assigned to the social services, both plan and non-plan outlay should be considered together. For example, the following table shows the growth of Government expenditure on Education in the terminal years of Third, Fourth and Fifth Plans.

TABLE 9
PLAN AND NON-PLAN EXPENDITURE ON EDUCATION

| Year (1) | Plan (2) | Non-Plan (3) | Total (4) (Rs. crores) |
|-------------|-------------|-----------------|------------------------------|
| 1965-66 | 178 | 259 | 437 |
| 1973-74 | 225 | 1086 | 1311 |
| 1977-78 | 324 | 1991 | 2315 |

11.4 The table below gives an indication of the shift in emphasis in the Plan towards rural development as compared to the Fifth Plan:

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TABLE 10

ESTIMATED PUBLIC SECTOR PLAN OUTLAY ON RURAL DEVELOPMENT

| Sl. No. | Sector | Fifth Plan 1974-79 | Plan 1978-83 |
|------------|--|-----------------------|-----------------|
| (0) | (1) | (2) | (3) |
| 1. | Agriculture and allied programme including minor irrigation* | 4644 | 9525 |
| 2. | Irrigation and flood control | 3434 | 7925 |
| 3. | Fertilisers and Pesticides | 1555 | 1688 |
| 4. | Power for rural areas* | 1676 | 3557 |
| 5. | Rural Roads | 500 | 800 |
| 6. | Rural water supply | 432 | 765 |
| 7. | Rural health & family welfare | 729 | 1482 |
| 8. | Hill and tribal areas | 450 | 800 |
| 9. | Rural education | 846 | 1400 |
| 10. | Telecommunication and postal services N.A. | | 311 |
| 11. | Nutrition | 90 | 140 |
| 12. | Social welfare | 10 | 32 |
| 13. | Traditional cottage and household industries* | 330 | 1000 |
| 14. | Rural housing | 55 | 500 |
| | Total rural outlay | <u>14751</u> | <u>29925</u> |
| | Total Plan outlay | <u>39322</u> | <u>69380</u> |
| | Rural outlays as % of total Plan outlay | 37.5 | 43.1 |

* Excludes Institutional Finance

AGRICULTURE AND RURAL DEVELOPMENT

Agriculture

11.5 This sector will receive the highest priority, special attention being paid to the uplift of the small and marginal farmers and the landless labourers, especially the scheduled caste and scheduled tribe families. The strategy for crop

production will be to increase the area under irrigation, gross cropped area and cropping intensity and ensure larger application of inputs. This will be backed by improved agronomic practices for higher efficiency through development and propagation of better seeds, a strengthened extension system, assured availability of credit and improved facilities for marketing, storage and processing. Land and tenancy reforms (dealt with in greater detail in Chapter I, Part III) and consolidation of holdings, an important prerequisite to good water use, will be vigorously pursued. A policy of optimal land use involving integrated watershed management which covers measures for flood control, drainage, reclamation and reshaping of land, mixed farming for marginal land and a silvi-pastoral approach for areas with low rainfall will be adopted. Special attention will be paid to increasing the area under oilseeds, pulses and cotton, and the continuance of price incentives. As a result, a growth rate of nearly 4 per cent in the output of the agricultural sector is expected to be achieved during the Plan.

11.6 The 1982-83 targets for the various crops are as follows:

| | | | |
|---|-------|---|-------|
| Total foodgrains(in tonnes) | 140.5 | - | 144.5 |
| Sugarcane | 188.0 | | |
| Jute & Mesta (lakh bales each of 180 Kgs.) | 85.6 | | |
| Cotton (lakh bales each of 170 Kgs.) | 81.5 | - | 92.5 |
| Oilseeds (Lakh tonnes) | 125.0 | | |

The higher levels of production possibilities for 1982-83 are based on better management of various inputs and somewhat better than average weather conditions.

Animal Husbandry, Dairying & Fisheries

11.7 The major policies that will be adopted would be to increase production of livestock products such as milk, eggs, poultry, wool and mutton, by improved methods of animal husbandry supported by a marketing structure based on a functional system of cooperatives similar to that adopted by the milk cooperative unions in Gujarat. Planned cross-breeding for improving the productivity of cows and

draught power of bullocks, improving the buffalo stock and promotion of poultry in rural areas on a cooperative basis supported by marketing services are some of the important components of the strategy that will be adopted. Improved breeds of sheep for mutton and wool, goats and pigs will be developed by programmes of selective breeding and cross-breeding. To meet the large gap between the requirements and availability of fodder and feeds, the production of high yielding varieties of fodder crops as part of an integrated programme of crop husbandry in a mixed farming system will be given priority. A programme of plantation of fodder trees will be an important part of forestry. Cultivation of coarse grains for feeding livestock and the use of agricultural, and industrial wastes for compound feeds will be encouraged. A massive programme for dairy development - Operation Flood II, an extension of Operation Flood I, will be started.

11.8 The fisheries programme will give special attention to family based labour intensive inland and brackish water fisheries and improving the harvesting from seas by stimulating, on an equitable basis, the growth of country boats, mechanised boats and deep sea trawlers. An adequate support of improved processing and marketing facilities will be provided. The 1982-83 targets for selected products are as follows:

| | | |
|------|-----------------------|--------|
| Milk | (million tonnes) | 35.5 |
| Eggs | (million number) | 16,000 |
| Wool | (million Kgs. greasy) | 38.00 |
| Fish | | |
| | Inland(lakh tonnes) | 12.00 |
| | Marine(lakh tonnes) | 22.00 |

Forestry

11.9 The main thrust of the programme will be to accelerate production forestry and social forestry including farm forestry, giving due attention to the need for maintaining the ecological balance and protecting the environment. In tribal areas, the goal will be to see that the people's requirements of timber, fuel and fodder can be met on a sustained basis.

Integrated rural development

11.10 These agricultural programmes and the plans for cottage and village industries development will be integrated into a comprehensive programme of integrated rural development. This will require the preparation of detailed plans at the block level and their integration with State level plans. Out of the 5100 blocks in the country, about 3000 are covered by one or more of the special programmes, such as EFDA, DPAP and CAD. Two thousand of them will be chosen on the basis of accepted priorities for a programme of integrated rural development including rural works aimed at creating full employment. Blocks with more than twenty per cent scheduled caste population will be taken up as a first priority. During each year of the Plan, another 300 blocks will be added leaving 1600 blocks to be covered in the next five year period starting April 1983.

11.11 In implementing this programme, ways of overcoming constraints like labour immobility and lack of skills will be devised. This programme, which is central to the attack on the unemployment problem, will require active public participation and assistance from voluntary agencies.

Tribal Sub-Plan

11.12 The programmes for tribal areas will be intensified and extended to contiguous areas of 10,000 population, which have more than 50 per cent tribal people. Special attention will be paid to the weaker sections amongst the tribal population.

Rural credit and cooperation

11.13 The volume of credit is proposed to be stepped up sharply covering a wide diversity of activities in the agricultural sector, rural electrification and rural industries, but with an increasingly large share of the credit going to the poorer sections of the rural population. In addition to the cooperatives, loans will be available from the ARDC, commercial banks and the REC. Reorganisation of the primary societies into multi-purpose societies to provide, besides credit, technical guidance, inputs and processing and marketing assistance will be completed expeditiously.

Target groups and minimum needs

11.14 The focus of all these programmes of agriculture and allied activities will be the weakest sections of the rural population - the landless labourer, the artisan and the small/marginal farmer. In order to see that the benefits of these programmes do reach the intended beneficiaries, it is intended to try and ensure that in all the institutions through which these programmes are implemented such as land reforms committees, corporations and credit giving institutions, these weaker sections are adequately represented and they operate as organised groups.

11.15 The total and sub-sectoral outlays for the various programmes are given below. This is only the direct public sector outlay. In addition, substantial additional funds are expected to be contributed by institutions such as ARDC, commercial banks and cooperative credit societies.

TABLE 11

OUTLAYS FOR AGRICULTURE AND RURAL DEVELOPMENT

| Sl. No. | Sector | Fifth Plan 1974-79 | Plan 1978-83 |
|---------|--|--------------------|--------------|
| (0) | (1) | (2) | (3) |
| | | (Rs. crores) | |
| I. | Agriculture and allied activities | 3100 | 5800 |
| | 1. Agriculture Research & Education | 210 | 425 |
| | 2. Agriculture Production | 575 | 1125 |
| | 3. Land Reforms | 163 | 350 |
| | 4. Soil Conservation | 221 | 450 |
| | 5. Food Storage & Processing | 123 | 150 |
| | 6. Animal Husbandry & Dairying | 438 | 825 |
| | 7. Fisheries | 150 | 400 |
| | 8. Forestry | 206 | 450 |
| | 9. Investment in agricultural financial institutions | 520 | 1000 |
| | 10. Community Development & Panchayati Raj | 127 | 150 |
| | 11. Cooperation | 376 | 475 |
| II. | Rural Development | 1193 | 2800 |
| | 1. Special programmes for rural development | 537 | 1550 |
| | 2. Command Area Development | 206 | 450 |
| | 3. Hill and Tribal Area Development | 450 | 800 |
| | Grand Total | 4302 | 8600 |

IRRIGATION AND FLOOD CONTROL

Irrigation

11.16 The main support to the agricultural programme in the Plan is a large step up in the irrigation potential - 17 million hectares as against 8.6 million hectares created in the first 4 years of the Fifth Plan. Of these, 9 million will be as a result of minor irrigation schemes, 7 million through ground water development and the remaining 2 million from surface irrigation projects. Approximately 8 million hectares of potential will be created by major and medium irrigation projects. The main constraints in increasing these targets are the technical and implementational limitations rather than resources.

The highest importance will be attached to:

- (a) getting full utilisation of the potential already created;
- (b) expeditious completion of on-going projects;
- (c) proper maintenance and operation of the existing irrigation systems;
- (d) ensuring that the smaller farmers get their fair share of water; and
- (e) settlement of inter-state river disputes so that projects utilising the water potential can be started expeditiously.

In order to make optimal use of water, the data base has to be strengthened so that large and medium projects involving inter and intra-basin transfer of water can be taken up. It is therefore proposed to set up a machinery for monitoring water flows and carry out detailed surveys, using ground based and remote sensing techniques.

11.17 In minor irrigation, apart from a careful assessment of ground-water potential so as to minimise wasteful expenditure and prevent over-exploitation, special attention will be paid to coordination of these programmes with rural electrification schemes, conjunctive use of surface and ground water and maximising the use of institutional credit.

Flood Control

11.18 The highest priority will be attached to expeditious completion of the on-going schemes and maintenance of the existing systems. The information base required for preparing a comprehensive and optimised national flood control master plan is proposed to be improved and the detailed plan with its components in the State Plan on basin-wise basis will be ready in the next few years.

11.19 The proposed 1982-83 outlays for irrigation and flood control are as follows:

TABLE 12

OUTLAYS FOR IRRIGATION AND FLOOD CONTROL

| Sl. No. | Head | Fifth Plan 1974-79 (2) | Plan 1978-83 (3) (Rs. crores) |
|---------|-----------------------------|------------------------------|--|
| (0) | (1) | | |
| 1. | Major and Medium Irrigation | 3089 | 7250 |
| 2. | Minor Irrigation | 792 | 1725 |
| 3. | Flood control | 345 | 675 |
| | Total | <u>4226</u> | <u>9650</u> |

ENERGY

Power

11.20 High priority is attached to meeting the growing demand for power and wiping out the backlog. Because of the highly capital intensive nature of the power programme, this will require an increase in outlay of about Rs.8,700 crores, by far the highest in any sector. In order to meet the estimated electricity consumption of 128.8 billion units in the terminal year of the Plan, an addition of about 18,500 MW of generating capacity is projected in the next five years, taking the country's total installed capacity to about 44,500 MW by the end of the Plan. Projects have already been cleared or funds provided for start in 1978-79 to cover this entire additional capacity. Coal based thermal stations will account for the bulk of the addition to capacity in the Plan period. In the spatial distribution of thermal stations, pithead locations will be preferred to the extent possible. While the need to tap the country's hydro potential is recognised and funds have been provided for both on-going and new hydro schemes, the growth of hydro generation will inevitably be relatively slow on account of the long construction time involved. Besides completion of the Madras Atomic Power Station and Commissioning of the first unit at Narora, a start will be made on one more nuclear power station in the Plan period. Thus, out of about 18,500 MW to be added about 13,000 will be thermal, 4550 hydro and 925 nuclear power. The Plan also provides for advance action on new schemes required to meet the power demand anticipated beyond 1983.

11.21 Having regard to the capital intensive nature of power development and the massive investments needed on large thermal and hydel projects which benefit more than one State, Central role in power generation will be enlarged further in the next five years. Apart from two super thermal stations taken up in the Fifth Plan, work will commence on three other such stations; selected major hydro-electric schemes of regional benefit may also be taken up. Central generation is expected to account for about 10% of the total generation in 1982-83.

11.22 Effort will be made in the coming five years to strengthen the transmission systems and achieve effective regional grid operation. The programme includes construction of a 400 KV transmission network and establishment of load despatch facilities at the national and the regional levels. Attention will also be given to the utilisation of thermal capacity and reduction of losses in transmission and distribution.

11.23 Rural electrification will receive added emphasis. Twenty lakh pumpsets and one lakh villages will be energised during the period 1978-83 as against nine lakh pumpsets and 80,000 villages in the last four years. In order to funnel more funds for rural electrification a new scheme has been evolved for joint financing by Rural Electrification Corporation, Agricultural Refinance and Development Corporation and commercial banks.

11.24 Steps will be taken in consultation with the State Governments to improve the organisational capability of the State Electricity Boards on whom the primary responsibility to implement the large power programme will devolve, by functional restructuring of the management and a greater degree of professionalisation among the staff. A high level committee is also being set up to make recommendations for rationalising the tariff structure and improving the working of the Boards.

Petroleum

11.25 Oil exploration will be intensified. With the prospect that world oil supplies may fall short of demand in the closing decades of this century, resulting in oil prices rising sharply it is vital that a dependable inventory is drawn up of the country's oil reservoirs. The prognostic estimates are that about two-thirds of the oil reserves are located in off-shore sedimentary basins. Seismic surveys and exploratory drilling will, therefore, be carried out in all the off-shore regions including Andaman & Nicobar Islands. In the case of explorations in on-shore areas the tempo in both the eastern and the western regions, which are known to be of high potential for oil will be maintained. A somewhat more cautious approach will be adopted in other areas where the risks are relatively high.

11.26 The development of the Bombay High and Bassein structures will be completed in the next two to three years and the production capability developed to reach a peak of 12.5 million tonnes per year. The pipelines to take oil and gas from those fields to Uran the mainland will have been laid before the next monsoon. Facilities for crude stabilisation and gas fractionation and pipelines from Uran to Trombay for refining the crude locally or shipment from Butcher Island to other refineries, are being established.

11.27 The oil production policy in the next few years will be weighted in favour of conservation of our limited resources. Thus, production both off-shore and on-shore may have to be kept below technically feasible levels.

11.28 The commissioning of the Mathura and Bongaigaon refineries and completion of expansion of Gujarat refinery will take the total refining capacity of the country to 37.45 million tonnes per year by 1980-81. Work on the Salaya-Koyali-Mathura pipeline to transport crude oil to the Gujarat and Mathura refineries will be completed by that time. This will mean that with some increase in import of petroleum products, there should be sufficient refining capacity in the country to meet the demand till the end of the Plan. Having regard, however, to the need to have adequate refining capacity and secondary processing facilities and the gestation period for creating the facilities, funds have also been provided for advance action.

Coal

11.29 With the rapid expansion of thermal power generation, steel and other industries, the demand for coal will rise sharply in the coming years. While India has fairly large reserves of low grade coal, reserves of usable coking coal are limited, as a measure of conservation therefore, import of low ash coking coal in significant quantities is proposed. The demand for coal in 1982-83 is estimated at 150.5 million tonnes, as against 103 million tonnes in 1977-78. The target for indigenous production will be 149 million tonnes, of which 144 million tonnes will be contributed by mines in the public sector. The balance of the demand will be met by import of coking coal. The large increase in domestic production in the next five years will be achieved by utilising fully the capacity of the existing mines and themines under construction and by a judicious choice of new mining projects, such as open-case mines, which have a relatively short gestation period.

11.30 The total outlay on these three sectors is as follows:

TABLE 13

OUTLAYS IN THE ENERGY SECTOR

| Sl.No. | Head | Fifth Plan 1974-79 | Plan 1978-83 |
|--------------|-----------|-----------------------|-----------------|
| 0 | 1 | 2 | 3 |
| (Rs. crores) | | | |
| 1. | Power | 7016 | 15750 |
| 2. | Petroleum | 1691 | 2550 |
| 3. | Coal | 1148 | 1850 |
| | Total | <u>9,855</u> | <u>20,150</u> |

INDUSTRIES

Industrial Policy:

11.31. While the basic objectives of five-year plan are unlikely to vary significantly from plan to plan, the strategy and pattern of investment will need to change so as to reflect the prevailing socio-economic situation in which the plan is being formulated. In the new Five Year Plan, the highest priority attached to tackling the problems of employment and poverty and providing minimum needs clearly call for an investment strategy which pre-empt resources for sectors such as agriculture and allied activities, irrigation, cottage, village & small industries. Investment in the organised industrial sector with its high capital to employment ratio, must, therefore, get a lower level of priority except to the extent that such investment is necessary to support the priority sectors.

11.32 The industrial strategy adopted in the Plan is thus to:

- (a) make the fullest use of existing capacity. In many fields, consumer, intermediate and capital goods industries are currently operating at well below capacity, e.g. engineering, textiles, sugar;
- (b) employ technologies which have a low capital to output ratio, provided production costs are not adversely affected to any significant extent. This will call for a review and if possible for an expansion of the list of industries reserved for the small scale and cottage sector. Substantial investments in infra-structure, credit and assistance in various forms will be provided to support the growth of this sector;
- (c) conserve scarce non-renewable resources such as coking coal and other minerals of which we have relatively low reserves;

- (d) use the foreign exchange reserves. This will require a planned gap between demand and supply to be met by imports. Generally, industrial investments in the public sector and private sector will have to be based, more than in the past, on a comparison of costs of production with the economic cost of imports. At no point, however, will the gap be allowed to grow to a point where it exceeds a reasonable proportion of the total international trade in that commodity. To balance this, the drive for export of labour intensive manufactured goods like handlooms, leather goods, readymade garments and engineering products, where we are in a strong competitive position, will be intensified;
- (e) reduce the concentration of economic power in the corporate private sector, through a mix of policy, regulatory and organisational measures;
- (f) take timely steps through injection of finance or management or by modification of Government policies to minimise the incidence of sickness in private companies; and
- (g) reduce production costs through a combination of measures such as exposing domestic industry to a limited degree of competition from imports and by ensuring that, where economies of scale are significant, only units of an economic size are put up.

11.33 The large step -up in public sector outlay contemplated will, it is expected, contribute to a rapid growth of demand. The spare capacity that exists in many sectors for sophisticated capital and intermediate goods will be better utilised and the increased demand for the simpler capital goods like pumps, motors and a wide range of consumer goods will be met by a rapid growth in the cottage and small scale sector. Where, however,

investments are necessary to support the new areas of priority, e.g. power plant machinery, coal, fertilisers and cement, adequate funds will be provided. While the public sector will dominate the growth in these and other areas, the private sector will have a significant role to play. Many of the constraints which affected the growth rate of industrial production during the Fifth Plan, such as shortages of transport, coal and essential imported raw materials have now disappeared. Vigorous measures are proposed to be taken to minimise the power shortage. If, as is expected, the rate of inflation continues to be lower than in other countries, the export prospects will become brighter. Given this background, it is expected that the projected growth rate of 7% in industrial production will be achieved if not exceeded.

Village and Small Industries:

11.34 As a major contributor to the planned growth of employment, this sector will receive very high priority. In this sector, like irrigation, resources are not the constraint. Based on past experience, it is the capacity to absorb more funds, given the magnitude of the organisational, managerial and training effort needed, which limits the growth of the sector. Experience shows that people are anxious to become self-employed and work hard provided they are given the requisite assistance financially, raw materials and guidance in areas like marketing and technology.

11.35 The integrated rural development programme envisages the creation of detailed block level programme for full employment. These will identify the scope for setting up traditional and other small industries taking into account such factors as skill levels, local raw material resources and markets. The attempt will be to concentrate on a few viable industries rather than spread the effort thinly.

11.36 In all the rural industries programmes, it is the

landless labourer, artisan, small farmer and those belonging to the backward classes who will be the target beneficiary.

The development effort will be mounted on many fronts:-

(a) Reservation of Industries

11.37 A wide range of industries is already reserved for this sector. This list may be increased and enforcement will be made stricter. In the case of handlooms, the maximum feasible programme has been attempted. If in practice it develops faster, suitable measures will be taken to curb the growth of the power loom and mill sector.

(b) Coordinated Growth

11.38 To minimise the number of contact points that entrepreneurs have to deal with, there will be a single district industries centre(DICs) in each district from which the services and inputs required by the entrepreneur, e.g. technical and marketing assistance, credit, raw materials and so on will be available. For household and cottage industries, apart from the VIW's, there will be cells at the block level where similar but the more limited range of facilities that cottage industries need will be available.

(c) Science and Technology

11.39 There is considerable scope for developing new products and improving and adapting processes and techniques so as to raise the productivity, reduce the cost and improve the quality of the products of the cottage and village sector of industries. The DICs and block level cells could well be the channels through which these inputs would flow. Research and technology transfer to this Sector will be given much greater impetus in the Plan.

(d) Credit and Loans

11.40 Besides stepping up substantially the outlay, the extension of the margin money scheme to small

business including service industries and retail outlets is being considered. The resources of the state level corporations will be strengthened for operating the hire purchase scheme.

(e) Marketing

11.41 The major effort here is to remove the middle man and to provide through the cooperative sector a remunerative outlet especially for the products of cottage industries. Assistance for these and other small industries will be provided by setting up testing facilities and retail outlets (which could also be manned by the rural or semi-urban educated unemployed). In Government and public sector purchases, preference will be given to the products of this sector. The opportunities for product diversification like polyester khadi will be explored so that earning levels of the weavers can be increased.

(f) Training

11.42 In several fields such as carpet and handloom weaving, training facilities will be expanded substantially. Inputs for proto-type development centres, ITIs, tool rooms etc. will be stepped up.

(g) Technical assistance/facilities

11.43 A wide range of inputs is required for the development of these industries beginning from help in skill improvement on the job to trouble shooting, running processing centres etc. In many cases, the supply of standard raw materials, for instance seasoned wood for craftsmen, at reasonable prices is critical to the success of this class of industries. Industrial estates with sheds and other infrastructure facilities will also be a major promotional tool.

(h) Fiscal measures

11.44 Suitable reliefs from excise duty on the products of village and small industries will assist in making the products of this sector more competitive, for direct sale as well as for ancillary products. While subsidies

may be required in certain cases, particularly for the poorer artisans, the attempt will be to phase these out in time.

11.45 The major areas of growth in the traditional rural industries sector are khadi and handlooms, sericulture, carpet making and other handicrafts, leather and leather products and coir products.

11.46 The targets and outlays for the village and small industries sector are shown below.

TABLE - 14
PRODUCTION TARGETS FOR VILLAGE AND SMALL INDUSTRIES

| Sl.No. | Head | Unit | Production | |
|--------|----------------------------|------------|------------------------|--------------------------|
| | | | 1977-78 (Estimated) | 1982-83 (Anticipated) |
| (0) | (1) | (2) | (3) | (4) |
| 1. | Handloom industry | m. metres | 2300 | 3700 |
| 2. | Powerlooms | m. metres | 1800 | 3900* |
| 3. | Khadi and Rural Industries | Rs. crores | 270 | 2561 |
| 4. | Smallscale Industries | Rs. crores | 6700** | 26700 |
| 5. | Industrial estates | Rs. crores | | |
| 6. | Handicrafts | Rs. crores | 550 | 800 |
| 7. | Sericulture | lakh kgs. | 35.4 | 62.5 |
| 8. | Coir industry | | n.a. | n.a. |

*Includes art-silk fabrics

**Relates to calendar year 1976

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TABLE - 15

OUTLAYS FOR VILLAGE AND SMALL INDUSTRIES

| Sl.No. | Industry | Fifth Plan 1974-78 (Estimated expenditure) | Plan Outlay 1978-83 |
|--------|--------------------------|---|---------------------------|
| (0) | (1) | (2) | (3) |
| 1. | Handloom Industry | 80.6 | 280.0 |
| 2. | Powerlooms | 1.5 | 6.0 |
| 3. | Khadi & Rural Industries | 126.4 | 390.0 |
| 4. | Small Scale Industries | 129.9 | 545.0* |
| 5. | Industrial Estates | 17.6 | 45.0 |
| 6. | Handicrafts | 14.9 | 57.0 |
| 7. | Sericulture | 19.2 | 70.0 |
| 8. | Coir Industry | 5.6 | 17.0 |
| | Total | <u>387.8</u> | <u>1410.00</u> |

*Includes Rs.60.0 crores for the schemes of
Craftsmen Training and Apprenticeship Training.

Large and Medium Industries:

11.47 While a substantial step up in public sector investment is planned, the share of this sector as a whole is expected to fall. In all public sector industries where there is heavy investment in plant and machinery, full provision has been made for rehabilitation and replacement of old equipment so that the existing units work at close to full capacity.

Steel:

11.48 The major outlay in the Plan is for on-going schemes, in particular, the expansion of Bhilai and Bokaro. In addition, provision has been made for increasing capacity by technological improvements, setting up slag based cement units, captive power

plants and an experimental sponge iron plant. The production of saleable steel is expected to reach 11.8 million tonnes by 1982-83 as compared to an estimated 7.7 million tonnes by 1977-78. A start on a new steel plant is envisaged towards the end of the Plan. Overall production will be somewhat in excess of demand at the end of the Plan.

Iron Ore:

11.49 A production level of 65 million tonnes - 25 million tonnes for domestic consumption and 40 million tonnes for exports by 1982-83, is envisaged. Practically, all the expenditure is for on-going schemes.

Non-ferrous metals:

11.50 Partly as a conservation measure and partly on account of resource constraints, no new mining project other than the exploitation of east coast bauxite deposits for production of alumina is planned in this sector. The provision is mainly for ongoing schemes and balancing facilities. The targetted production for 1982-83 and estimated figures for 1977-78 are copper 40,000 & 23,000 tonnes, Zinc 75,000 & 43,000 tonnes and Aluminium 300,000 & 180,000 tonnes respectively.

Engineering Industries:

11.51 The rapid growth of the equipment and infrastructure required to sustain the large investments proposed in agriculture, irrigation and power, is expected to lead to a surge in demand for a wide range of engineering goods. This demand will be met largely by improved utilisation of existing capacity. Apart from modernisation of equipment and balancing facilities, equipping Bharat Heavy Electricals to make 500 m.w. sets and a watch component plant at Hindustan Machine Tools, the bulk of the outlay in the public sector is for on-going schemes.

11.52 This sector is expected to make a major contribution to exports. In order to bring down high domestic costs arising from inefficiency or lack of competition, import of capital goods and components will be permitted in selected areas.

11.53 Provision has been made for the expansion of Vizag and Cochin Shipyards. A major growth area is expected to be electronics. Besides being a relatively labour intensive industry, it is capable of absorbing large numbers of scientific manpower and can be set up on a decentralised basis. In the public sector, the main investment is on provision of testing facilities for assisting the small and medium scale entrepreneurs, and manufacture of ferrites and large scale integrated circuits.

Petrochemicals:

11.54 The use of petrochemicals in the manufacture of a range of products which meet the requirements of the agriculture, irrigation, and the power sector as also the growing share of the textile industry, is expected to stimulate the demand for these products. Conversion of the semi-finished material into end products is largely an activity in which the small scale sector can operate and the use of synthetic fibres will now be extended to the cottage sector with the possibility of producing polyester blended khadi. The employment creating potential of the petrochemical sector is, therefore, substantial. An important policy change proposed, is the setting up of plants in which the economies of scale can be realised.

11.55 Besides making adequate provision for on-going schemes in public sector projects at Baroda and Bongaigaon, outlays have been provided for setting up a large olefins complex, a plant for recovery of aromatics such as benzene, xylene and toluene and a polyester plant. The manner in which downstream facilities will be set up is under review. In these as well as in a variety of other petrochemical products, the private sector will have a significant role to play.

Drugs & Pharmaceuticals:

11.56 Substantial expansion capacity in the drug industry is envisaged especially in the manufacture of basis drugs. A major role in this area is expected to be played by the two existing public sector units, Indian Drugs & Pharmaceuticals and Hindustan Antibiotics as well as a third new unit in the eastern sector.

Textiles

(a) Cotton

11.57 The additional requirements of cloth in the next 5 years is expected to be 2600 million metres. Of this, the bulk, namely 1400 million metres, is expected to be met by increasing the output in the handloom sector. This limit is imposed by problems of organisation rather than by other considerations. Of the rest, approximately 400 m. metres will be the additional production in the mill sector and 800 m. metres in the powerloom sector. However, no increase in looms in either the mill or powerloom sector will be permitted though modernisation and replacement of old looms will be allowed. In the powerloom sector, special attention will be paid to the needs of the smaller units. If the handloom sector is able to produce more than what has been estimated, suitable cuts will be imposed on the production targets in the other sectors.

11.58 As it meets the requirements of the handloom sector, spinning capacity in the organised sector will be augmented as required and arrangements for distributing yarn to the weavers without relying on middlemen will be made. The major problem of sickness in textile units, one of the contributory factors to which was the compulsory production of controlled cloth at a loss, is being studied and policies which ensure availability of mill made cloth at reasonable prices for mass consumption will be formulated.

11.59 The major public sector outlay proposed is for modernising and renovating the mills taken over by the National Textile Corporation.

(b) Jute

11.60 The estimated requirements of jute, both for the internal and export markets, are expected to reach 14 lakh tonnes in 1982-83. In view of the low level of capacity utilisation owing to lack of demand, the scope for expansion in this industry is limited.

Paper and Newsprint

Paper

11.61 The demand for paper and paperboard is expected to increase significantly, particularly on account of the accelerated programme for adult education and may reach 1.425 million tonnes by 1982-83. Production is expected to reach 1.25 million tonnes and the gap will be met by imports. The public sector outlay is mainly confined to on-going schemes such as the Nowgong and Cachar paper projects. Provision has been made for a start on one new project.

Newsprint

11.62 Against an estimated demand of 2,70,000 tonnes, the production will be about 1,20,000 tonnes by 1982-83. The public sector outlay is largely for on-going schemes.

Raw materials for paper and newsprint

11.63 The planning of raw materials for the paper industry will need to be done on a more rational, systematic and long term basis to conserve the country's limited forest resources. The question of setting up pulp mills to feed small paper plants, increased use of unconventional raw materials including agricultural residues will be examined. Given the limited availability of long fibred timbers, their use for upgrading low grade stock rather than setting up more newsprint plants is being studied.

Cement

11.64 The demand for cement is estimated at 31 million tonnes in 1982-83 against which indigenous production will be 30 million tonnes. The remunerative prices for cement announced recently, the use of slag and improved technologies such as pre-calcination are expected to lead to the rapid growth of cement production in the private and public sector. Provision has been made for setting up slag cement capacity in the public sector. The techno-economic viability of mini-cement plants is being examined.

Sugar

11.65 The domestic requirements of sugar are expected to reach 5.7 million tonnes in 1982-83 and exports of approximately 0.5 million tonnes are anticipated. Since capacity already installed or in construction is 7 million tonnes, no new sugar plants will be put up. A recent study of technological options indicates that future growth in sugar should be through khandsari plants, as these give the largest employment benefits; policies based on this are under study.

Fertilizers

11.66 While the maximum priority will be given to organic manures through programmes for making compost, using bio-gas effluents and bone meal, inputs of fertilizers will be required to support the planned rapid growth of agricultural

production. It is expected that starts will have to be made on nine new plants of which six are expected to be in the public sector. Natural gas will be the preferred feed stock. Output of Nitrogen (N_2) and Phosphates (P_2O_5) by 1982-83 is expected to reach 4.1 million tonnes and 1.1 million tonnes respectively as against estimated outputs of 2.06 and 0.66 million tonnes in 1977-78. The demand for nitrogenous fertilisers is expected to reach 5.25 million tonnes and 1.6 million tonnes by 1982-83 necessitating a moderate level of imports.

Pesticides

11.67 A rapid rate of growth in this industry is also expected, both in the public and in the private sector. The public sector investment will be used for taking up the manufacture of new pesticides and setting up joint sector formulation/basic material projects in partnership with the State Governments.

11.68 The outlays under major heads in the Industry and Minerals Sector are set out in the table below:

TABLE 16
OUTLAY ON LARGE AND MEDIUM INDUSTRY

| Sl. No. | Head | Fifth Plan 1974-79 | Plan 1978-83 | | Total (3+4) |
|---------|------------------------------|-----------------------|--|----------------|-----------------|
| | | | Continuing schemes including renewal and replacements and S&T | New Schemes | |
| 0 | 1 | 2 | 3 | 4 | 5 |
| | | | | | (Rs. in crores) |
| 1. | Steel | 1675 | 1970 | 515 | 2491 |
| 2. | Fertilizers | 1533 | 518 | 1131 | 1649 |
| 3. | Non-Ferrous Metals | 463 | 296 | 191 | 427 |
| 4. | Heavy Engineering | 365 | 256 | 341 | 597 |
| 5. | Petrochemicals | 349 | 268 | 213 | 481 |
| 6. | Cement | 102 | 58 | 129 | 187 |
| 7. | Paper | 203 | 321 | 45 | 366 |
| 8. | Electronics | 46 | 78 | 1 | 79 |
| 9. | Drugs & Pharmaceuti- cals | 69 | 62 | 45 | 107 |
| 10. | Iron Ore | 513 | 513 | 15 | 528 |
| 11. | Textiles | 104 | 100 | - | 100 |
| 12. | Others | 425 | 1214 | 714 | 1928 |
| | Total | 6852 | 5600 | 3340 | 8940 |

It will be observed that continuing schemes including renewal and replacements account for over 62% of the total outlay in the large and medium industries sector of the Plan.

TRANSPORT AND COMMUNICATIONS

11.69 The main focus of the Plan being on rural development and employment generation, the transport policy aims at correcting the existing imbalances with the objective of facilitating the movement of agricultural inputs and produce, substantial expansion of the rural road net work and strengthening the road transport services. At the same time, the transport system has to meet the requirements of a developing economy for the specific streams of industrial goods and passenger traffic. In making allocations for the development of various modes of transport, the major considerations have been the optimum utilisation of the existing capacities, growth rates of goods and passenger traffic and the need for controlling the concentration of population and growth of industrial and business activity in the metropolitan and larger cities.

11.70 The communications plan will play an important part in the new strategy by increasing its coverage of the rural and semi-urban areas and supporting the developmental programmes.

Roads and Road Transport

11.71 It is proposed to provide all the villages having a population of 1000 and above, with link roads in the next ten years ending 1988.

In the Plan 1978-83, a provision of Rs.800 crores has been made in this regard. Adequate provisions have also been made for removing the deficiencies in the existing National Highway system and construction of strategic roads. Greater attention will be paid to the expansion of road net work in the tribal areas for which a provision of Rs.295 crores has been made. The total provision for roads in the Plan 1978-83 is Rs.2183 crores.

11.72 A provision of Rs.740 crores has been made for augmenting the fleet strength of State Road Transport Services and Delhi Transport Corporation.

Railways

11.73 Originating freight traffic on the Railways is estimated to increase from 240 million tonnes in 1977-78

to around 300-313 million tonnes in 1982-83; non-suburban and suburban passenger traffic is likely to grow at an annual rate of three and seven percent respectively in the Plan period 1978-83. While the programme of gauge conversion and building of new developmental railway lines will be taken up selectively, greater attention will be paid to the programme for track renewals and achieving self-sufficiency in the production of critical items of railway equipment.

Civil Aviation

11.74 The programme for the acquisition of aircraft takes into account the estimated growth of passenger and cargo traffic on domestic and international air routes. On the domestic routes, additional capacity will be created selectively only where rail or road transport cannot render efficient service and speed is of critical importance. Substantial allocations have been made to expand and improve the supportive, operational and terminal facilities for ensuring optimum capacity utilisation, safety and reliability of air transport services.

Shipping and Ports

11.75 For shipping, the plan is to augment the tonnage from 5.35 million GRT to 7.77 million GRT during the period 1978-83, for which a provision of Rs.625 crores has been made in the Plan. The share of Indian vessels in the overseas trade would continue to be around forty-two percent, as at present. The programme aims at the optimum utilisation of the existing capacity at the shipyards.

11.76 During 1978-83, all the on-going projects at the major ports would be completed and the country would have the capacity required for handling all anticipated overseas and coastal cargo traffic. Provision has been made for a new start at Nhava-Sheva.

Post and Telecommunications

11.77 With the object of expanding postal facilities in the rural areas, it is proposed to cover all the villages for daily collection of mail through letter boxes in the next ten years ending 1988, the daily delivery system.

having already covered almost all the villages. Provision has been made for extending the daily collection facility to two lakh villages in the Plan 1978-83; the remaining two lakh villages are to be covered in the period 1983-88. Fifteen thousand public call offices and an equal number of telegraph offices would be established in the rural areas in 1978-83.

11.78 The total outlay for communications is Rs. 2095 crores, which provides for 11.5 lakh direct exchange lines and setting up a new switching factor, with a capacity of two lakh lines. The outlay provides for the existing backlog of telephones to be eliminated and the service to be improved, but it is proposed to give preference to provision of telephones in small and satellite towns to assist the policy of decongesting urban areas including the metropolitan cities. Provision has been made for earth stations to link up with proposed Indian National Satellite (INSAT).

11.79 The information and broadcasting plan has been formulated on the basis of an integrated approach to communications policy. Higher priority has been given to such programmes as would assist rural development. Allocations have been made for district level radio transmitters and for generating software for educational and developmental programmes. Similarly, outlays have been provided for setting up decentralised film production centres for making films as a support to extension activities. In the information services area, the emphasis is on the field publicity work at the village and district level.

11.80 The programme of Meteorology envisages continuance of the country's participation in an international programme, Monex 79, to get closer insights into the behaviours of the monsoon. The provision of meteorological facilities on the Indian National Satellite INSAT-I will enable the acquisition of valuable data on wind and temperature conditions which affect the weather and improve the weather prediction capabilities. Another major area of emphasis during the Plan will be hydro-meteorology linked to plans for the development of water resources.

11.81 The outlays for the various sub-sectors are summarised below -

TABLE - 17

OUTLAYS FOR TRANSPORT AND COMMUNICATIONS

(Rs. crores)

| Sl. No. | Head | Fifth Plan 1974-79 | Plan 1978-83 |
|---------|----------------------------|--------------------|--------------|
| (0) | (1) | (2) | (3) |
| | | | (Rs. crores) |
| 1. | Railways | 2202 | 3350@@ |
| 2. | Roads | 1354 | 2183 |
| 3. | Road Transport | 461 | 740* |
| 4. | Ports | | |
| | i) Major ports. | 521 | 390 |
| | ii) Minor ports. | 50 | 72 |
| | iii) Light houses | 14 | 16 |
| 5. | Inland Water Transport | 32 | 43 |
| 6. | Shipping | 450@ | 637@ |
| 7. | Communications | 1267 | 2095** |
| 8. | Civil Aviation | 297 | 700 |
| 9. | Tourism | 75 | 109 |
| 10. | Meteorology | 40 | 107** |
| 11. | Information & Broadcasting | 122 | 183 |
| | Sub-total | 6835 | 10625 |
| 12. | Farakka Barrage | 32 | - |
| | Total | 6917 | 10625 |

@@ Includes Rs. 80 crores for contribution to State Road Transport Corporations.

* Includes Rs. 372 crores of internal resources.

@ Excludes provision under SAFAUNS

** Includes Rs 57 crores for space segment of INSAT.

SOCIAL SERVICES

Education

11.82 The priorities in the next Plan will be the removal of illiteracy, universalisation of elementary education and making education more employment-oriented and relevant to society. A nationwide programme of adult education is to be launched with emphasis on illiterates in the age group 15-35. Of the adult illiterates estimated to be about 100 million today, 65 million will become literate by the end of the Plan and the remaining 35 million by 1983-84. In this task, the Universities and other institutions, trade unions, employers, and voluntary bodies will be actively associated.

11.83 The enrolment in elementary education is expected to increase by 320 lakhs covering 90 percent of the children in the age group 6 to 14 as compared to 69 percent today. Particular attention will be given to the education of girls and of children from the poorer sections. The aim of educational and social policy must be to reduce the rate of drop-outs at both the primary and middle stages. Funds are being provided for large-scale institution of schemes of non-formal education at these levels, which may prove to be more capable of retaining children and training them. Expansion of general academic courses in secondary and university education will be kept down and emphasis shifted to vocationalisation and quality improvement. The aim will be to introduce a rural bias, inculcate a scientific attitude and improve the cultural content of the curricular programmes.

Health

11.84 The main objective will be to provide better health care and medical services to the rural areas and the urban poor. For every 1000 of the population, a community health worker and a trained dai will be provided as soon as possible. In addition to completing the backlog of construction of primary health centres and sub-centres, the target of one PHC per block will be achieved. In addition, 38,000 new sub-centres will be set up to intensify the coverage of the rural population from one for every 10,000 persons to one for every 5000 persons by 1988. In addition, 400 primary health centres will be upgraded into 30 bedded hospitals.

11.85 No linear expansion of curative services in urban areas based on specialities and super-specialities will be permitted except in a few cases where the need for such expansion is established on the grounds of gross inadequacy. Urban areas would be expected to meet

a part of the cost of this programme through local cess and revenues. Establishment of new hospitals, additions to the existing hospitals and the number of additional beds would be so planned as to ensure balanced regional distribution, viability and sound management. Hospitals will generally form the apex of a three tier system servicing the smaller hospitals and primary health centres and sub-centres.

11.86 Programmes for control/eradication of communicable diseases, especially of malaria, whose re-appearance gives cause for anxiety will be given special attention.

11.87 To ensure quality of medical education, further expansion of under-graduate medical education including increased admissions to existing colleges will not be supported. Research programmes would be directed towards problems of immediate relevance to the country. Indian systems of medicine will be further encouraged. Health education measures would form an integral part of health schemes as well as elementary and adult education.

Family Welfare

11.88 The Family Welfare programme will continue to be accorded very high priority in this Plan. The strategy will be to increasingly integrate the health, family welfare, maternity and child health and nutrition services at all levels. Attempts would also be made to secure general integration of the family welfare programme with other welfare programmes. The directions contained in the Statement of Policy on the Family Welfare Programme (June, 1977) will guide the promotion of different methods of family planning. The emphasis will be on inducing wider acceptance of the small family norm through persuasion and education. Voluntary organisations will have an increasing role and opinion leaders will be actively associated for motivating couples in the reproductive age group to accept the small family norm. Official support will be directed to the provision of adequate services and supplies, follow-up and after-care services nearer the homes of the people. States with weak infrastructure and having high birth and high infant/maternal mortality rates will receive special attention. Maternity and child health schemes will be enlarged and intensified. Research on development of simpler effective and better methods of contraception, will be promoted, including methods suggested by the indigenous systems.

Urban Development, Housing and Water Supply

11.89 The thrust of the new policy on urbanisation is

is to slow down and, if possible, to reverse the rate of growth of the metropolitan cities. At the same time, the small and medium towns, which can serve as growth centres for providing services to the programmes of integrated rural development will be assisted to improve their civic services such as sanitation and water supply. Infrastructural facilities such as power supply, telecommunications and transport system will be preferentially given to these towns. Government assisted housing programmes will also give priority to these areas.

11.90 The strategy of attempting a massive re-location of slums will be discouraged and instead, increased investments would be made in slum improvement. In the larger cities, funds provided for programmes of slum improvement would benefit 13 million slum dwellers.

11.91 In the field of housing, the highest priority is being given to the provision of house-site and building assistance for rural landless workers. About 8 million such workers may be benefited. Other public housing schemes are being given higher outlays and will be re-structured to make them consistent with the real needs and the paying capacity of low income groups for whom they are intended. The development of housing generally is through investment by the private sector. Emphasis is therefore being laid on the provision of institutional support to low cost private housing. A substantial provision has also been made for Housing and Urban Development Corporation (HUDCO), to finance public low cost housing.

11.92. As regards water supply, the main thrust in the Plan would be towards providing sources of water supply to all problem and difficult villages numbering a lakh. Adequate provision has also been made to meet the requirements of water supply and sanitation programmes in the medium and small towns, and for completing the committed and on-going schemes in the larger cities.

Social Welfare and Nutrition

11.93 Emphasis would be given to the extension of the special nutrition schemes in tribal areas. Funds would also be provided to voluntary agencies to expand services to children in need of care and rehabilitation integrated child development services and other related programmes. Mid-day meals for children will cover 4 million additional undernourished children while the supplementary nutrition programme will be preferentially extended to blocks which have a high population of scheduled castes and tribes. The experimental schemes of functional literacy and condensed courses of education for women will be expanded and linked with vocational courses for providing greater employment opportunities.

Backward classes

11.94 Scheduled Castes and Tribes form a major part of the disadvantaged section of the community. With scheduled castes, the problem lies not merely in their poverty and lack of assets but in the social taboos that restrict their social mobility. Both groups have been exploited for long and any plan that seeks to attain growth with justice must include specific provisions to promote the well being of these groups.

11.95 The tribal population lives mostly in compact geographical areas most of which will be covered by tribal sub-plans aimed at reducing the gap between these areas and the rest of the country. Scheduled castes are dispersed throughout the country. Their needs will be taken into account by giving priority to blocks with a high concentration of scheduled castes in the programme for integrated rural development and through specific schemes for agriculture, rural credit and subsidiary occupations. Backward classes have a lower rate of literacy and school enrolment than the rest of the population and hence will be the major beneficiaries of the drive towards universal elementary education and adult literacy that form part of the Revised Minimum Needs Programme. This programme also has other components which would favour backward classes. Thus, the provision of house sites for the landless would be mostly for the benefit of backward classes since they form the bulk of the rural landless population. Priority for backward classes is also built into the programmes for supplementary nutrition and the environmental improvement of slums. Apart from the benefits that would accrue to backward classes from the orientation of general development programmes, the Plan includes a substantial provision for welfare schemes for such classes. These include scholarships, training centres and grants and subsidies for productive activities.

Labour Welfare and Craftsmen Training

11.96 In order to promote industrial harmony, it is proposed to replace the existing legal arrangements by a comprehensive law on industrial relations. Schemes for participation of workers in decision-making and management at different levels are being worked out. To minimise disputes and reduce disparities in wages and incomes between and within workers in different sectors, a wages, incomes and prices policy will be formulated.

11.97 Minimum wage legislation will be extended to all workers where its enforcement is practicable including the rural areas e.g. plantation workers. However, for improving the income levels of the bulk of the rural workers, greater emphasis will be placed on organisations of rural workers who will ensure that they derive benefits

from the various schemes and programmes of which they are the targets. Likewise, the demand for labour arising out of the massive investments in agriculture and allied activities and rural industries and public works is itself expected to raise agricultural wages in due course. A Centrally-sponsored scheme for attacking the problem of bonded labour has recently been formulated. Special attention will be paid to improving the employment opportunities for women and removing discrimination against them in the matter of wages. Similarly, a multi-pronged approach to the problem of child labour will be followed - increasing the family income of the adults by employment, adult literacy and improved educational facilities.

11.98 Government organisations responsible for ensuring safe and humane working conditions will be strengthened as well as institutions involved in research and training on workers' problems and in promoting organisation of rural workers.

11.99 The sub-sectoral outlays in the Social Services sectors are as follows:-

TABLE 18
OUTLAYS FOR SOCIAL SERVICES

| Sl. No. | Sector | Fifth Plan 1974-79 | Plan 1978-83 |
|-----------------|--|-----------------------|-----------------|
| 0 | 1 | 2 | 3 |
| (Rs. crores) | | | |
| Social Services | | | |
| 1. | Education | 1285 | 1955 |
| 2. | Health and Family Welfare | 1179 | 2095 |
| 3. | Housing, Urban Development and Works | 1189 | 2540 |
| 4. | Water Supply | 971 | 1580 |
| 5. | Social Welfare and Nutrition | 202 | 305 |
| 6. | Backward Classes and Harijan Welfare | 327 | 545 |
| 7. | Others (Rehabilitation, Labour Welfare etc.) including unclassified) | 1071* | 335 |
| Total | | <u>6224</u> | <u>9355</u> |

* The outlays in this sector have been reclassified in the 1978-83 Plan and included under the outlays in the other sectors.

SCIENCE AND TECHNOLOGY

11.100 One of the important tools which will need to be oriented towards the implementation of the Plan is the country's large reservoir of scientific and technological talent and the net work of scientific research institutions that has been built up. In formulating the S&T Plan, special priority has been given to these programmes which support the plan priorities. Substantial changes in the attitudes and value system of the scientific community and a much greater appreciation of their ability to contribute to the achievement of Plan targets on the part of the rest of the community will be required. The two primary aims of science and technology in the Plan will be (a) to focus on meeting the needs of rural development and (b) to move towards greater technological self-reliance.

11.101 The linkage between the scientific agencies and institutions and different departments of the Government has to be further developed to enable the absorption of the expertise developed and commercial exploitation of research results. It is envisaged that the R&D base would be extended to fully cover the needs of agriculture, forestry, irrigation, meteorology, health, energy, communications, transport, mining and industry. The industrial research and technological development capability would be specifically oriented to establishing links between the industry and the laboratory and implementing programmes of regional interest, including those specific to the needs of the village and small scale industries.

Atomic Energy

11.102 The direction of investments in the field of atomic energy has been determined by the need to utilise this technology not only for long-term development of cheap nuclear power, but also for other areas of social and economic priorities such as industries, agriculture, medicine, sewage treatment etc. Efforts to set up a comparatively large size (100 MW) Experimental Research Reactor completely indigenously, development of a Fast Reactor, Variable Energy Cyclotron, and development of Breeder Reactor linked to cancer research are some of the significant programmes in this area.

Space

11.103 The two primary objectives of the investments space science and technology are to build up the necessary technological capability for building satellite and launching capability and utilising such space systems for development needs in the areas of communication, meteorology and survey of natural resources. A multi-purpose operational geo-stationary satellite system called INSAT-I is being designed, to be fabricated and launched abroad under a contractual arrangement. INSAT-I, which is expected to be launched in early 1980, will provide service for tele-communications, and meteorology. The meteorological capability will cover continuous observation of weather systems and data collection inclusive of relays from remote and unattended areas and disaster situations. The plans of the Department of Space provide for development of indigenous remote-sensing and communication satellites, and launching facilities for the former.

11.104 The sectoral outlays for the Science & Technology plan are given below:

TABLE 19
OUTLAYS FOR SCIENCE AND TECHNOLOGY

| Sl.No. | Head | Fifth Plan 1974-79 | Plan 1978-83 |
|---------------|-----------------------------------|-------------------------------|--------------------------------|
| 0 | 1 | 2 | 3 |
| (Rs. crores) | | | |
| A. | S&T Agencies | | |
| 1. | Atomic Energy | 167.13 | 220.00 |
| 2. | Space | 128.27 | 210.00 |
| 3. | Deptt. of Science & Technology | 58.96 | 110.00 |
| 4. | CSIR | <u>81.77</u> <u>436.13</u> | <u>110.00</u> <u>650.00</u> |
| B. | S&T Component under Sectors | | |
| 1. | Agriculture(including irrigation) | 169.94 | 360.00 |
| 2. | Energy | 22.54 | 60.63 |
| 3. | Industry & Minerals | 81.61 | 194.09 |
| 4. | Transport & Communications | 46.10 | 104.65 |
| 5. | Social Services | <u>57.50</u> | <u>112.00</u> |
| | | <u>377.69</u> | <u>831.37</u> |
| | Total : | <u>813.82</u> | <u>1481.37</u> |

Environment

11.105 Denudation or over-exploitation of forests leading to erosion, silting of reservoirs and water channels and adversely affecting the ecological balance, urban slums, pollution of rivers, lakes, sea and the air, salination and desertification of the land are some of the problems which have already assumed serious dimensions. It is important therefore that further damage to the environment should be stopped and to the extent possible repaired.

11.106 Besides giving greater emphasis to schemes of afforestation, decongestion of large metropolitan complexes, reclamation of lands affected by salination and halting the spread of deserts, the Plan will also ensure that projects and programmes which are likely to cause unacceptable environmental damage are not taken up.

11.107 There is no insoluble conflict between economic development and environmental protection provided the awareness of the dangers of environmental damage are borne in mind by the planners when formulating projects. For this purpose, the National Council on Environmental Planning and Coordination (NCEPC) is issuing guidelines for formulating projects in different sectors which focus on this problem.

11.108 Apart from legislative measures dealing with the control of water and air pollution, the NCEPC and its counterpart agencies like expert committees in the different States will be strengthened. It is also proposed to give them greater powers to ensure that no project which is likely to do environmental damage is approved without the matter being given due consideration at all levels. Greater public awareness of the dangers that lie ahead will be created.

PLANNING AND IMPLEMENTATION

12.1 In the evolution of planning in India the two new directions of development will be:

- (a) the preparation of comprehensive area development plans at the block level; and
- (b) the adoption of the rolling plan system.

The existing planning machinery, however, also needs to be strengthened at all levels.

12.2 At the Centre expert committees are being established to report on (a) demographic policies and their implementation (b) energy policy; and (c) comprehensive transport planning. Most of the hundred or so Working Groups set up to consider sectoral policies and programmes have yet to give their final reports their recommendations would be taken into account in considering any improvements that may be needed in the Central planning system. The arrangements in the Central Ministries and the Planning Commission for detailed project planning, investment appraisal and monitoring of projects and programmes are being reviewed to identify the areas where improvement is needed. The machinery for ensuring coordination between financial institutions and Government needs to be strengthened to ensure the preferential flow of funds strictly according to Plan priorities. It is also necessary to ensure that the appraisal methods of financial institutions relating to major investments in the private sector are based on criteria similar to those applied in evaluating projects in the public sector of the Plan.

12.3 Although decentralisation of the planning process has for long been a declared aim, its application has been uneven. Independent planning capability has not yet been developed in all States, and district level planning has been introduced in only two or three States. The existence of a national plan does not obviate the need to prepare integrated development plans at the State levels. State planning machinery in many States has to be strengthened to prepare properly articulated sectoral programmes as parts of a coherent overall plan. The principal aims of the new plan are increased agricultural productivity, more rapid growth of agriculture-related activities, rural industrialisation and the provision of basic support services throughout the countryside. These require that decision making should be divided in an appropriate hierarchy between the State, District and block levels. While model planning

structure at these levels would be suggested by the Planning Commission, it will be for every State to adopt them to its own requirements.

12.4 At the State level, the existing capacity for project preparation will need to be strengthened considerably. Procedures for the economic appraisal of major investments have to be improved including the adoption of modern methods in this field. An effective monitoring system has to be established for all important programmes. The organisations entrusted with the evaluation of the results of the development schemes will need to be expanded to undertake more concurrent evaluation of rural development programmes.

12.5 The special features of area development plans for full employment planning at the block level have been outlined earlier in this Chapter. Guidelines for the preparation of these plans are being prepared by an expert committee and will soon be ready. Another expert group is examining the scope for block level planning by voluntary agencies.

Rolling Plan

12.6 The overall investment plan, the public sector outlay and capacity and production targets for major sectors have been worked out for the five year period 1978-83. For some sectors the expected growth for the next five year period upto 1987-88 have been indicated. But it has not been possible, due to constraint of time, to indicate in this document the outlays and output targets year by year for the years 1978-83. This exercise will be completed shortly. Meanwhile programmes and projects under different sectors will also be formulated in detail, wherever this has not yet been done, in consultation with the Central Ministries and State Governments. The executing agencies will then be expected to prepare their schedules of implementation for achieving the annual targets. Before the end of this year the projections for more important sectors will be indicated for an additional year beyond the present plan period i.e. upto 1983-84. The extension of the Plan horizon in this way is essential for the phasing of investment decisions in sectors such as irrigation and power. While preparing the Annual Plan for 1979-80, the progress of major sectors during 1978-79 will be reviewed. If there are slippages in any area, additional effort would be indicated for achieving the 1982-83 target. If however, the demand outlook in any sector has changed significantly since the preparation of the Plan, or if in the light of

better information some earlier forecasts need to be modified, the necessary limited adjustments will be carried out. This, in brief, constitutes the methodology of the Rolling Plan, which is explained in more detail in Chapter 7 of Volume II.

Administrative Machinery

12.7 With the change of priorities and the re-allocation of investments in sectors primarily within the sphere of State responsibility, the burden of plan implementation on the State Governments will be greatly increased. The State administrations at all levels will need to be revitalised. The most radical restructuring may be needed in the fields of agriculture and rural development administration. The personnel of all categories dealing with development projects in the State have to be persuaded to a system of values where service in rural areas and work with rural agencies is regarded as more important than other fields of work which in the past have carried greater prestige. A revised structure of rewards, by way of recognition and preferment, would be helpful in achieving this.

12.8 The extent to which the implementation of these crucial parts of the Plan should be undertaken by local elected bodies, from the District down to the village level, will be considered when the report of the Ashoka Mehta Committee on Panchayat Raj Bodies has been received. The participation of voluntary bodies other than elected bodies in the preparation and implementation of local development plans would also need to be encouraged. It would, however, be for the States to work out how best these agencies can contribute towards the achievement of the objective of the Plan.

Maintenance of Assets

12.9 An area to which the Commission would like to draw special attention is the need throughout the economy to maintain and utilise to best advantage the physical assets created in earlier Plan periods. Expansion of output, whether in agriculture or industry, depends critically on maintenance of productive capacity, and this should not be allowed to suffer. Especially under conditions of financial stringency, the States and Central agencies tend to restrict the outlay on necessary maintenance as a result roads and canals are allowed to fall into dis-repair, buildings deteriorate, power plants suffer break-downs and factories produce below capacity. So far as the State sector is concerned, it is hoped that the Seventh Finance Commission will consider ways and means of ensuring that the allocation made for the maintenance of physical assets in determining the devolution of resources, are properly applied to this purpose. This will also be reviewed from time to time by the Planning Commission while discussing the Annual Plans of States.

So far as Plan outlays are concerned, in all sectors funds are being provided for ensuring the improvements and optimum utilisation of assets already created. To give some examples, in the irrigation sector there will be major schemes for modernising the older storage and distribution systems to improve their coverage. Tubewells which are idle for lack of power will be energised as a matter of priority. Rural roads taken up under the crash programmes for employment or scarcity relief schemes, and left incomplete, will be completed wherever they are really useful. Provision is being made for training of operatives for better maintenance of Power stations and transmission systems. Funds are being provided for preventive maintenance in the steel, fertilisers and other industries. Allocations have also been made for modernisation and replacement of equipment for all enterprises in the public sector.

Participation

12.10 The Plan, whose primary emphasis is on rural development and rural services, will demand a much greater level of organisation and public participation than past plans. It is relatively a simple matter to prepare projects for setting up industries or power stations or expanding capacities of ports or airlines or tele-communications systems. A limited number of experts, planners, construction workers, managers and operatives are needed to implement such schemes. A programme of rural development involves investment decisions by hundreds of thousands of individuals and the ability to evoke the response of millions of potential beneficiaries. Officials at all levels can only play a limited role in such an enterprise as effecting the deliveries of certain essential inputs. The efficient management of this country-wide network will, in the first instance, impose tremendous responsibilities on the Government machinery. But in the final analysis the Plan can only succeed if there is full participation of all the groups who will be affected in one way or another by the massive new rural investment programmes.

12.11 Besides the rural poor, the other group whose effective participation has to be sought in implementing a radical plan of rural development is the youth of the country. While on the one hand the lack of employment opportunities results in constant pressure for jobs, on the other hand no sustained effort has been made to harness their talent and energy in programmes of national construction. Young people everywhere ask what they can do but we have not been able to provide an answer. The National Service Scheme and the National Cadet Corps., could be augmented and reoriented to develop the kind of momentum

that is needed. The time has come to organise, through these and other agencies, a programme for the involvement of youth on a mass scale for rural development. The scope for such enterprise is wide ranging from schemes of adult literacy and non-formal elementary education to rural sanitation and drives for immunisation and family planning. Rural youth with some degree of technical skill can be organised into groups to implement specific projects in demarcated areas for the development of agriculture, animal husbandry or rural industry. Similar projects could also be developed for urban slum improvement. The possibility of making a year's national service on rural development and similar projects compulsory for students, which has been mooted in the past, might be re-examined.

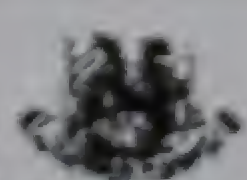
12.12 There are four elements needed for the success of any radical plan for restructuring rural life. First there must be a national consensus on the Plan itself. Over the years such a consensus has prevailed in respect of every national plan. The strategy set out here is the appropriate one for the next phase of the country's development. The Planning Commission is confident that the objectives, priorities and policies laid down in this document will find general acceptance with the Central and State Governments, all political parties and all sections of informed opinion in the country.

12.13 Secondly, the Plan demands determination of Government as a whole to raise and deploy all necessary resources and to devote all their energies to the fulfilment of its objectives.

12.14 Thirdly, it requires of the community the readiness to accept a degree of restraint on the expansion of its current levels of consumption for the sake of the future.

12.15 Lastly, and most vitally, the Plan must evoke the enthusiasm and participation of the vast numbers of citizens whom it will affect, more particularly the target groups to whom the benefits of the rural employment strategy have to be carried. The poor and the dispossessed will not come into their own only by plans and programmes, however well-conceived, by declarations of intent or by exhortations to thrift and labour. If the Plan is to succeed, they have to be helped to organise themselves to claim as a right the benefits that should flow to them, so that in turn they may make their due contribution to society.

12.16 The goals are attainable, given only the national will to pursue them without faltering.



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